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هكلامى العربى

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WORLD NEWS

PM defends record on employment

Mrs Thatcher yesterday defended the Government's record in fighting unemployment, and suggested businesses should seek out opportunity rather than wait for a boom.

She told the Scottish Tory Conference in Perth that the Government could not tackle unemployment by relaxing the tight monetary policy which has been the cause of the "struggle" not yet won. Back Page

Sikhs blamed for bombs

Indian police blamed Sikh extremists for a wave of bombings in New Delhi and Haryana state which killed at least 26 people and injured 70. Hindu death, Page 2

Poles tighten curbs

Poland's parliament passed controversial changes to the criminal code, making it easier to punish political opponents. Page 3

U.S. diplomats expelled

Two U.S. diplomats were expelled from Poland after attending an anti-government protest.

Protests as Bill fails

Two Tory backbench MPs were angrily criticised by a fellow MP and a Home Office Minister after they killed a Bill meant to reduce kerb-crawling. Page 4

Prosecution proposal

The Government published a plan for a Crown Prosecution Service independent of the police. Page 6

Brighton train burns

A man was charged with arson after a London-Brighton train caught fire. Two carriages were destroyed but passengers were unharmed.

Spanish holidays down

Street crime and bombings were blamed by Spanish hoteliers for a 12.5 per cent fall in holiday bookings for this summer. Page 6

S. Africa plan attacked

South African Government plans to allow blacks a bigger role in regional administration were criticised as inadequate by blacks and too costly by whites. Page 2

French N-test rapped

New Zealand Premier David Lange denounced France's 130-kilometre nuclear test, its biggest, at Mururoa. Page 2

Albania stands alone

Albania rejected Soviet approaches saying it would never have relations with the Soviet Union or the U.S. Page 2

Film pulled out of Rome

French director Jean-Luc Godard asked for no further Rome screenings of his film *Hail Mary*. It shows the Virgin as a garage owner's daughter and has been attacked by the Pope.

Disorganised crime

An Auckland, New Zealand, man pulled a knife on a policeman, but cut his own leg. The policeman, a karate black belt, disarmed him and a passing dog bit him. He was charged with disorderly behavior.

Financial Times

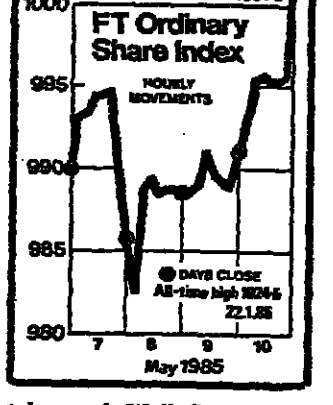
Some statistical material in this issue may not have been completely updated at the time of going to press. This is because of an unauthorised meeting called by members of the Soviet '82 clerical chapel.

BUSINESS SUMMARY

Surge takes FT Index above 1,000

A LATE surge in equities took the FT Ordinary Share Index above 1,000 for the first time since March 20 to close 10.8 up at 1,001.9.

Over-subscription of the offer for sale of the Government's 48.8 per cent British Aerospace



stake, and Wall Street's overnight advance, ensured continuation of the firm trend. Page 14

STOCK EXCHANGE chairman

Sir Nicholas Goodison, wrote to members outlining amendments to reform the securities market. Back Page

EUROPEAN BANKING Company

which recently launched an independent equity dealership, is being offered for sale by Midland Bank and its six other European bank owners. Back Page

U.S. economic expansion next year

will be too slow to prevent unemployment rising, say advisers to the Business Council which comprises chief executives of most large U.S. corporations. Page 2

MERCHANT BANKS and other firms

wishing to advise on privatisation of British Gas were set deadlines of next Thursday for applications. Page 4

AUSTIN ROVERS' former director

of vehicle manufacturing, Brian Fox, attacked the Government's attitude to BL and the UK car industry. Page 4

SULTAN of Brunei, owner of London's Dorchester hotel

lost his appeal against a temporary injunction granted to the management allowing them to remain in control after he had tried to sack them. Page 6

EQUAL PAY: Fourteen female fishpackers in Hull won their industrial tribunal case for equality with a male worker.

Page 6

BACARDI, privately-owned producer of the world's best-selling spirits brand

launched in the UK its first drink since Bacardi rum was developed a century ago. Page 4

ARGENTINA's central bank closed the Banco de Italia y Rio de la Plata, one of the country's largest private banks

after rejecting reorganisation involving a \$42m (£34m) loan. Page 2

EGYPT'S Minister of the Economy, Dr Sultan Abu Ali

said it was planned soon to allow a free float of the Egyptian pound traded by Commercial banks. Page 2

AGA, Swedish industrial gas group, aims to raise its stake in Uddeholm, tooling steel and hydropower concern

to 90 per cent in a \$Kr 3bn (£270m) cash and share deal. Page 11

BT moves into U.S. market with £180m Canadian purchase

BY JASON CRISP IN LONDON AND BERNARD SIMON IN TORONTO

BRITISH TELECOM is making its first substantial overseas acquisition since it became a private company late last year. It is to spend £180m on a 51 per cent stake in Mitel, the Canadian telecommunications equipment manufacturer.

The deal marks BT's entry into the U.S. market and will give it manufacturing plants worldwide, including a large factory in Wales. The acquisition is seen as a threat to some of BT's traditional suppliers, like Plessey and GEC Telecommunications, although it said it will continue selling their equipment.

BT and Mitel announced yesterday that they had an agreement in principle for the takeover, which is still subject to legal and regulatory clearances. The deal will mean a cash injection of £300m (£175m) for Mitel—slightly more than its current level of debt.

While the acquisition is subject to review by Canada's Foreign Investment Review Agency it will almost certainly be approved because it benefits Mitel, which has had financial problems. An agency official said preliminary discussions had already been held.

Mitel was set up in the early 1970s by two British expatriates—Mr Mike Comland and Mr Terry Mathews—who had both worked with the Post Office's telecommunications operation, which later became British Telecom.

The company has a substantial share of the world market for small private telephone exchanges (PABXs) which it sells in 80 countries including Britain. Its major attraction for BT is its technology and its strong position in the highly competitive U.S. market.

However, Mitel has been suffering financial problems for over two years as a result of delays in launching a powerful digital PABX and a lack of management controls. It made a net loss of £322.1m in the year to February 1985 on revenues of £371m. It made a small profit of £64,000 in the last quarter of that year.

BT says it has bought Mitel as part of its long-term strategy to become a worldwide force in the new information industries, like office automation. In addition, it gives it a substantial customer base in the U.S. market, it will also gain access to the latest PABX technology.

Sir George Jefferson, chairman of BT, said yesterday: "We have been doing business with Mitel for many years and we have the utmost respect for their product development and marketing skills. Their range of leading-edge technology products, combined with British Telecom's technical and financial strengths and international interests will enable the combined business to compete successfully worldwide."

BT was freed to buy overseas companies as a result of its privatisation last year when the British Government sold just over 50 per cent of its equity for about £4bn in the biggest ever sale of state assets.

Earlier this week BT reached an agreement in principle to buy another Canadian company, CCI, for £200m. CCI designs and installs private communications networks. BT also has 49 per cent stake in Centel, a small U.S. company which markets its City Business System for market traders in the U.S.

BT first started selling Mitel exchanges in Britain over four years ago because of considerable delays in the supply of modern equipment from its traditional suppliers.

At the time the decision caused considerable upset. The latest move is likely to cause further concern and Plessey—the main suppliers of PABXs to BT—yesterday saw its share price fall 12p to 165p at one time as a result of the deal, although it closed at 172p.

BT is to pay £55 for each new "Treasury" shares in Mitel. Pending completion of the documentation, it has an unconditional option to buy an 18.5 per cent stake in the company. Mitel directors representing 25 per cent of the stock have given BT a proxy vote in favour of the deal.

Once it is completed, BT will take full management control and it is expected to recruit some executives for the company in North America.

Mr Terry Mathews, president of Mitel, said the take-over would enhance the company's status as a participant in the international market place.

Continued on Back Page
Feature, Page 8, Lex, Back Page, Scotland Yard probe.

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Continued on Back Page
Feature, Page 8, Lex, Back Page, Scotland Yard probe.

Reagan forced to climb down in budget cuts pact

BY NANCY DUNNE AND STEWART FLEMING

THE U.S. SENATE has approved a three year package of federal budget cuts totalling \$297bn (£240bn) after a crucial climbdown by President Ronald Reagan over future defence spending levels.

Confronted with probable defeat over a compromise package worked out with the Senate Republican leadership a few weeks ago, Mr Reagan signalled his acceptance from Lisbon of a budget resolution denying any real growth in defence spending next year and allowing only 3 per cent real growth in each of the two successive years. The President's original budget proposal had first sought a 5.9 per cent real rise in defence spending and his subsequent earlier compromise settled on a 3 per cent increase.

The Senate went on to approve the budget resolution in a dramatic climax to a day of frantic politicking by Mr Robert Dole, Senate majority leader. Vice-President George Bush needed to use his casting vote to secure the resolution after the first vote in the early hours of the morning was tied at 49-49.

In fact, the victory was assured only by the presence of Republican Senator Peter Wilson, who was wheeled in to vote with an intravenous tube in his arm two days after an operation for a ruptured appendix.

The final resolution would cut the deficit by \$66bn next year to a total of \$171.4bn. It would then fall to \$144.8bn in the 1987 financial year and to \$104.3bn in 1988.

Some of the savings made on the President's defence proposal are being used to rescue popular government spending programmes such as subsidy for the Amtrak passenger rail network, student aids and agricultural supports.

However, 13 programmes, many of which help the poor, were eliminated, including federal grants for states and cities. Export-Import Bank direct lending and trade adjustment assistance.

Before he left Lisbon yesterday, the President claimed that he had the assurance of senators that: "If zero growth reduces national security in any way, I will be back for a supplement."

Mr Donald Regan, his chief of staff, said that 92 per cent of the savings in the President's original budget for domestic spending were approved.

Nevertheless, the President has been forced to renege on his campaign promise not to allow cuts in social security.

The package suspends for one year increases in the cost of living adjustments for some 36m widows, disabled workers and pensioners.

Administration officials pointed out yesterday that there was still a long way to go before it would be clear what the final shape of the 1986 budget would be.

First, the Democrat-controlled House of Representatives, which has been waiting for Senate decisions before starting work on its budget resolution, will have to draw up a budget plan.

The Democratic caucus in the House budget committee is expected to start work on detailed budget proposals next week but the White House does not expect the House to pass a budget resolution before the spring recess at the end of this month.

Then perhaps in the early summer the House and the Senate will have to go to conference to agree on a joint budget resolution. At this stage, assuming the budget proposals get that far, it is expected that a joint budget resolution will include legislative language imposing broad spending limits.

Individual spending committees in the Congress will have to write the detailed allocation of federal funds. This probably will not be completed until September at the earliest.

Just how much of the Senate's blueprint will have survived by then is uncertain. The House armed services committee has already approved a defence budget similar to the one that cleared the Senate early yesterday morning. However, efforts to trim defence further, and, above all, an attempt to reduce the cuts in social security spending approved now by the Senate, are widely expected in the House.

Slowing economic growth, which has been threatening to increase the budget problem, mounting pressure from a business community which is suffering increasingly from huge U.S. trade deficits, and signs of incipient rebellion on Capitol Hill among moderate Republicans have all been increasing the pressure on the Administration to compromise. The vote yesterday represents a major victory for Senator Dole, who had been the principle architect of the compromises worked out by the Senate leadership.

Terry Byland adds from New York: Wall Street responded strongly yesterday morning to the Senate approval for the Republican budget plan and to

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Talks offer renewed, Page 2
Reagan: treading on the ghosts of the past, Page 9

WEEKEND FT

The Financial Times new section for weekend reading



Victims and predators: Godfrey Hodgson examines the heroin problem and looks at ways of dealing with it. Page 1

FINANCE AND THE FAMILY

plus 4 page FT Report

PERSONAL FINANCIAL PLANNING

Pages 14 to 21



DIVERSIONS

Parsley, sage, rosemary and thyme... and other herbs that aren't so well known. Page XV



SPORT

What is Everton? More and less than just a football team. Page XVII

Davy McKee confident of end to S. Korea furnace deal delay

BY STEPHEN BUTLER IN SEOUL AND IAN RODGER AND CHRISTIAN TYLER IN LONDON

THE SIGNING of a \$60m (£49m) blast furnace order from South Korea for Davy McKee, the British engineering contracting group, has been held up for several months because of the British Government's reluctance to breach international guidelines on soft financing for such projects.

British diplomats in Seoul are worried that the order could be shifted to a Japanese supplier if the Government agrees quickly to a form of financing. Davy's letter of intent from Pohang Iron and Steel, the purchaser of the furnace, expires at the end of this month.

Mrs Thatcher, the Prime Minister, has been critical recently of the extent of soft financing offered by the Japanese, who defeated a British consortium for a contract to build a second bridge across the Bosphorus.

Davy remains confident that the problem will be solved and that the contract will be signed in the next few days. Mr Roger Kingdom, chief executive of Davy McKee (Teesside), said yesterday: "The Government has agreed to the level of support, the problem is the mechanism." He also denied that the problem was related to Mrs Thatcher's comments on the Bosphorus contract. "We are less concerned today than we were a week ago," he said.

The agreement between Davy and Pohang is understood to include a loan carrying an interest rate of about 6 per cent backed by the British Government. This is well below the minimum interest rate allowed on such loans under an informal agreement among member countries of the Organisation for Economic Co-operation and Development.

The British Government agreed to underwrite the cost of the low interest rate following an earlier breach of the OECD rules by another bidder for the Pohang contract. The Government then sought to avoid breaking the rules itself by proposing that Korea accept an element of foreign aid in the deal. The Koreans, however, did not want to take aid.

The Export Credits Guarantee Department confirmed yesterday that the Government remained ready to support the deal and that the credit terms were still as agreed.

Davy won a \$66m contract to build the first blast furnace at Pohang's Kwangyang works on the south coast of Korea last year. The company has been counting heavily on the second contract to reinforce its position as a world leader

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Economic Co-operation and Development.

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Cadbury to buy Sodastream

BY LISA WOOD

CADBURY SCHWEPPE'S, the UK-based confectionery group, is to pay about £262m for Sodastream, the manufacturer of a set-back in its core UK business when it introduced a new machine. Heavy losses were also incurred in developing new markets, principally the U.S. and Germany. In the year to last April, they were estimated at £2.8m.

Sodastream made a £3m rights issue in January, when it reported pre-tax losses of about £2m for the half year to October 31, 1984, against £2.5m in the comparable period of 1983. It estimates that its losses for the year ended last April 30 will be about £4.5m.

Cadbury Schweppes, the world's fifth largest soft drinks manufacturer, had been seeking entry into the home dispensing fizzy drinks market for some time.

"Sodastream was not available for sale until now," said Mr Dominic Cadbury, chief executive of Cadbury Schweppes, who this year took special responsibility for the group's soft drinks activities.

The group, which made a trading profit of £53.8m on its soft drinks activities last year, shareholder directors backed by Scottish American Trust and Anglia Television.

In 1984, the company suffered a set-back in its core UK business when it introduced a new machine. Heavy losses were also incurred in developing new markets, principally the U.S. and Germany. In the year to last April, they were estimated at £2.8m.

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The group, which made a trading profit of £53.8m on its soft drinks activities last year,

has been looking for expansion to North America, which last year accounted for nearly a quarter of the group's £154m trading profit.

"The U.S. looks to be a very good opportunity for home dispensing of carbonated drinks," Test marketing by Sodastream had shown strong potential for the product, with no direct competition. "We want to continue with the development of that market," Mr Cadbury said.

Cadbury Schweppes has been reasonably successful with its mixer drinks in North America, where it has about 1.4 per cent of the market, but it has made little impact in the much bigger fizzy drinks market.

This is an alternative market to the conventional ones where the major companies such as Coca Cola and Pepsi Cola are well entrenched," Mr Cadbury said. "This is an opportunity to grow in the U.S. without running head-on with the major companies."

At 49p a share, Cadbury's paper offer is worth about £262m. An underwritten cash alternative would give Sodastream shareholders 434p a share.

MARKETS

DOLLAR

New York lunchtime:
DM 3.1215
FFr 9.525
SwFr 2.629
Y252.5

London:
DM 3.1185 (3.111)
FFr 9.51 (9.49)
SwFr 2.6295 (2.6145)
Y252.5 (251.5)

Dollar Index 148.9 (147.1)
Tokyo close Y252.7

U.S. LUNCHTIME RATES

Fed Funds 8 1/4
3-month Treasury Bills:
7.72%
Long Bond: 100 1/2
yield: 11.2

GOLD

New York: Comex June latest
\$315.5
London: \$314.5 (\$315.5)

STERLING

New York lunchtime \$1.2815
London: \$1.234 (1.237)
DM 3.5825 (3.58)
FFr 11.74 (11.725)
SwFr 3.25 (3.235)
Y252.5 (251.5)

Y252.5 (251.5)
Sterling Index 78.1 (77.9)

LONDON MONEY

3-month interbank:
closing rate 12 1/4% (12 1/4)
3-month eligible bills:
buying rate 12 3/4% (same)

STOCK INDICES

FT Ord 1,001.9 (+10.8)
FT-A All Share 632.33 (+0.8%)
FT-SE 100 1,315.8 (+9.5)
FT-A long gilt yield index:
High coupon 10.82 (10.86)

New York lunchtime:
DJ Ind Av 1,272.08 (+11.82)
Tokyo:
Nikkei Dow 12,527.31 (+52.8)

Chief price changes yesterday, Back Page

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OVERSEAS NEWS

Rise in U.S. jobless forecast

BY STEWART FLEMING IN HOT SPRINGS, VIRGINIA

THE EXPANSION of the U.S. economy next year will be too slow to prevent unemployment rising, according to economists advising the Business Council, an organisation whose membership includes the chief executives of most of the biggest U.S. corporations.

In a report to the Council's spring meeting here, the economic advisers say they are expecting real growth in the U.S. to be only 2.2 per cent next year after rising by 3.1 per cent in 1984, rates which are both significantly below the 4 per cent expansion the Reagan Administration is projecting.

The main factor behind the slowdown is "a large deterioration in foreign trade" which is cited as "the major risk to the

forecast, a potential source of low growth or recession, with higher inflation."

The combination of slower economic growth and competitive pressure on profit margins is expected to reduce to only 2.6 per cent the expected increase in corporate before-tax profits in 1986, following a projected rise of just over 8 per cent this year.

Deepening concerns about the huge trade deficit and its impact on the market share of U.S. companies both at home and overseas are evident not only in the economic forecasts being discussed here, but also in the comments of chief executives attending the meeting.

According to Mr Edmund Pratt, chief executive of the

pharmaceutical concern Pfizer, sectors of U.S. industry "are being killed by the dollar."

Although Pfizer has in general been doing well in its pharmaceutical business because of the new products it has been bringing to the market, Mr Pratt says that other businesses in the group, have been "struggling against a flood of imports of chemicals and minerals being sold at almost ridiculous prices."

Other executives such as the chairman of E. I. du Pont de Nemours, Mr Edward Jefferson, also say they are losing tens of millions of dollars of sales, and profits, because of the strong dollar and the competition from imports.

Indicative of the extent of

concern about the trade issue here, is the fact that for the first time in its history the Business Council is devoting its meeting entirely to discussions centred around international trade and the competitiveness of the U.S. economy.

It has also for the first time invited a range of foreign government representatives to participate in its meetings.

These include Mr Arthur Dunkel, Director-General of the General Agreement on Trade and Tariffs; Mr James Kelleher, Canadian Trade Minister; Sir Roy Denman, head of the EEC delegation in Washington; and Mr Hector Hernandez Cervantes, Mexican Secretary of Commerce.

Argentina closes third largest private bank

By Our Buenos Aires Correspondent and Hugh O'Shaughnessy in London

The Banco de Italia y Rio de la Plata, Argentina's third largest private bank, was closed yesterday by the Central Bank.

Queues of depositors formed at the bank's branches in an attempt to withdraw their money before the official announcement was made.

Staff were told that the bank had been closed after the Central Bank turned down a request for a \$42m (\$35m) loan as part of a reorganisation plan.

The Central Bank had taken over the bank's operations last week as part of an effort to revitalise the institution.

Bankers here say that Banco de Italia had been getting by primarily on short-term money in recent weeks. As a consequence, they say, of high fixed costs and enormous difficulties in collecting on major loans. Many other private banks here are experiencing similar problems.

Banco de Italia's deposits are guaranteed by the Central Bank. Analysts in Buenos Aires say the Government may have problems coming up with the necessary pesos to cover those deposits at a time when fiscal expenditures are being cut drastically.

The difficulties of the Banco de Italia are expected to hit other Argentine-based institutions. Senior bankers believe that Argentine depositors will transfer funds to foreign-owned banks either in Argentina or in Montevideo, across the River Plate in Uruguay.

Banks in Uruguay have traditionally benefited from any loss of confidence by Argentine depositors.

The Argentine government's decision not to aid the Banco de Italia was to a large extent governed by shortage of cash.

Foreign governments and commercial banks have held off offering new funds to Argentina until the Alfonsín administration has come to terms with the International Monetary Fund.

The Reagan Administration recently rejected an Argentine appeal for a bridging loan.

S. African regional reform plan 'costly and inadequate'

BY JIM JONES IN JOHANNESBURG

THE SOUTH AFRICAN Government plans to allow blacks greater participation in the country's regional administration have been sharply criticised by blacks as being inadequate and by whites as being too costly.

The constitutional formula devised by the country's ruling National Party envisages the establishment of a new multi-racial tier of government above the level of the segregated local authorities.

It will be based on autonomous Regional Service Councils (RSCs) which will be financed from levies on the turnover and payrolls of businesses in their area of responsibility.

The councils will be responsible for the provision of services such as electricity, transport and water, to local authorities.

National Party planners said the new system, which forms part of an overall restructuring of national, provincial and local government, would result in greater consensus in the allocation of services. The RSCs will be run by representatives drawn from local authorities. The Government said the scheme was also designed to give the country's various race groups greater control of regional affairs.

Black opposition to the plan centres on the view that the scheme still bars blacks from real political power as it only

A two-hour work stoppage has been called for next Tuesday by South African black trade unions and community groups to commemorate the death on Monday, May 6, of black trade unionist Mr Andries Radtsele. Mr Radtsele, an executive of the Federation of South African Trade Unions, was arrested on suspicion of car theft last Saturday morning and was later admitted to hospital suffering from brain injuries.

allows them to participate at a relatively low level of decision-making.

White opposition comes largely from organised commerce and industry which faces the prospect of new levies on turnover and payrolls to finance the RSCs.

Mr Henry Schwarz, the opposition Progressive Federal Party's economics spokesman, said the new payroll levy would hinder job creation and the turnover levy could affect prices to the same extent as a 2 per cent increase in general sales tax.

The Association of Chambers of Commerce criticised the timing of the new levies. Profit margins, Assoccom said, were under pressure and the recession was leading to about 70 corporate bankruptcies a week.

Gleam of hope for Chinese bonds

By Maggie Urry

CHINA'S rehabilitation in the international capital markets is progressing fast.

The last week has witnessed a major banking conference in Beijing and shortly, the country's first Eurobond issue is due to be launched—a D-Mark denominated bond to be arranged by Deutsche Bank.

Where does this leave the holders of bonds issued by previous Chinese regimes—bonds which have not been honoured since the start of World War II?

Chinese bonds issued between 1938 and 1939, with a face value of \$51m, are still outstanding, with accrued interest now worth £153m, according to the Council of Foreign Bondholders.

This body represents the interests of holders of sterling-denominated bonds issued in the UK by overseas governments, states and municipalities.

Recent success

The Council, whose current president is Sir Jasper Holm, a former deputy governor of the Bank of England and now chairman of the Take-over Panel, has had some successes in the past in negotiating with foreign governments which have defaulted on bonds, on behalf of the bondholders.

Ironically, the Council has no knowledge of the identity of many of these people because the bonds were issued in bearer form and have been traded ever since.

During its history, the Council has been involved in negotiating settlements of defaulted bonds with a value of over £1bn. Its most recent success was that of the Government of Zimbabwe which in 1980 agreed to pay back principal and interest on bonds issued by Southern Rhodesia.

The settlement, totalling \$58.5m, was not as high as many bond holders had hoped though the council said at the time, it was the best that could be obtained.

Important

Apart from ideas of noblesse oblige, defaulting borrowers are most likely to pay up on their old debts if they are keen to borrow more money.

China is certainly likely to be a big borrower in coming years. Zhao Ziyang told the bankers' conference last week that foreign finance will be important to the development of China.

But whereas Zimbabwe's credit standing was low and needed bolstering, China's could hardly be better and bankers are only too keen to lend to the country.

Demand is already building up for the D-mark issue, likely to be in the name of the Bank of China.

The Bank of England would probably not allow the Chinese Government to make a sterling bond issue until the default is resolved. But China has already tapped the domestic Yen bond market and, after the D-mark Eurobond issue, could later launch Eurobond deals in other currencies.

Claims package

The Council of Foreign Bondholders will not comment on the chances of agreeing a settlement which it could recommend to bondholders.

Planned negotiations, with the Chinese Government, which will be handled by the UK Government, have yet to start and could be slow in concluding.

The government has put a package of claims to the Chinese — including its own concern for the old consulate building in Shanghai — late in 1983, and received a response in January this year. Officials hope that negotiations will begin soon.

Meanwhile, the Council of Foreign Bondholders would like any prospectus for a new bond issue — to spell out details of China's defaults.

That compromise was used when Mexico returned to the sterling bond markets despite some minor defaults of bonds issued by an illegal, and brief, regime.

But such a "health warning" is unlikely to deter investors keen to buy China's new bonds.

Singapore expands tax incentives

By Chris Sherwell in Singapore

THE Singapore Government yesterday expanded the tax incentives it offers international fund managers based in the island-state, and promised further reforms to enhance the country's standing as an international financial centre.

In a keynote speech to local bankers and businessmen, Mr Richard Hu, newly-installed Minister of Finance and head of the powerful Monetary Authority, Singapore's bank regulatory agency, announced:

• A five-year extension to 1993 of the current five-year tax exemption scheme for fees earned on loans syndicated out of Singapore;

• The removal altogether of the five-year limit on the country's tax exemption scheme for offshore fund management.

This latter scheme, effective since 1983, is confined to offshore funds invested offshore. Regarding funds invested and managed within Singapore, Mr Hu promised a decision ending the uncertainty now prevailing over taxation.

This is because the authorities have left it unclear whether such profits are capital gains, which attract zero tax, or trading profits, which are taxed at 40 per cent. Many fund managers will only set up in Singapore after a favourable decision.

Giving his first public speech as Finance Minister, Mr Hu also confirmed that the Government is considering the creation of an unlisted stock market

Reagan renews offer of talks

BY REGINALD DALE IN LISBON

PRESIDENT Ronald Reagan yesterday renewed his offer to meet Mr Mikhail Gorbachev, the Soviet leader, at any time and place, despite recriminations between Washington and Moscow over anti-U.S. remarks by Mr Gorbachev on Wednesday.

He would have no problems in meeting Mr Gorbachev, Mr Reagan said before leaving Lisbon at the end of his troubled 10-day tour of Europe.

He hoped that the meeting would take place as soon as the chance arose.

Mr Reagan has repeatedly offered to meet Mr Gorbachev in the U.S., if and when the Soviet leader attends a special meeting of the United Nations this autumn.

The President left Europe buoyed by a friendly reception in Portugal, but admitting that there had been a few "agonising" moments during his four-country trip.

Mr Reagan, like the whole White House travelling party, has maintained that his trip has been a success, including "a lot of agreeable moments and a few agonising ones."

The tour had included his controversial visit to a concentration camp and a German war cemetery—following a difficult world economic summit in Bonn last weekend.

The President yesterday described the summit as "relatively successful," with its most important aspect the united backing for the U.S. position in the Geneva arms talks.

He also cited the seven participant countries' agreement to



President Reagan puzzles over a question at the end of his European tour

co-ordinate their efforts to fight international drug trafficking, a prime concern of his wife, Nancy, who accompanied him most of the way round West Germany, France, Spain and Portugal.

Thanking the Portuguese Government for the warmth of his reception, Mr Reagan said that while there had been a few protests at his presence elsewhere along his route, he was used to that.

Reuter reports from Moscow: Tass, the official Soviet news agency, said yesterday that President Reagan's 10-day tour of Western Europe was a major blunder which had served only to highlight differences between the U.S. and its allies.

The White House had hoped to force European countries to support the U.S. administration's

foreign and economic policy, Tass added.

"The visit demonstrated how strongly the West Europeans are worried and outraged by the hegemonistic course of the U.S. Administration."

● The Reagan Administration said yesterday it opposed the Congressional call for the expulsion of the Soviet Ambassador if Moscow did not apologise for the shooting of a U.S. Army major in East Germany, Reuter reports from Washington.

Mr Edwards Djerejian, State Department spokesman, said the action approved by the House of Representatives 322-93 was unwise and inappropriate.

The House urged the expulsion of Ambassador Anatoli Dobrynin if Moscow did not apologise by June 30 for the shooting of Army Major Arthur Nicholson.

Duarte to hold talks with rebels

By Hugh O'Shaughnessy in London and David Gardner in Mexico City

PRESIDENT José Napoleón Duarte of El Salvador is to meet leftist insurgents' leaders for private talks aimed at arranging a third round of negotiations to end the five-year-old civil war.

The negotiations are expected to be held in Costa Rica. Mr Gregorio Rosa Chávez, Auxiliary Bishop of San Salvador, was yesterday in Costa Rica making arrangements for the meeting.

The Salvadorean Government is insisting on preliminary talks so that the negotiations, when they take place, will be seen to be successful.

The first two rounds of negotiations between the two sides last year at La Palma and Ayualo in El Salvador broke up amid failure and mutual recrimination.

The Duarte administration is also insisting on the participation of the peace process of the ERP, one of the principal guerrilla groups absent from last year's meetings.

Pope faces critics in Holland

POPE John Paul II today begins a five-day visit to Holland which will bring him into confrontation with some of his staunchest opponents in the Catholic Church, writes James Buchanan in Rome.

Dutch Catholics have taken part in rallies at which he has been scathingly criticised.

Many of the 5m Dutch Catholics disagree with official church policy on sex and marriage and some priests favour a end to celibacy and want ordination of women.

Shultz tries to soothe Jewish anger over Bitburg

BY OUR TEL AVIV CORRESPONDENT

MR GEORGE SHULTZ, U.S. Secretary of State, yesterday paid tribute to Jewish victims of Nazi Germany and sought to soothe Israeli anger over President Reagan's visit to the Bitburg military cemetery in West Germany.

After laying a wreath at Jerusalem's Yad Vashem Memorial to the 6m Jews killed in concentration camps, Mr Shultz pledged that the American people would not abandon Israel. "Never again would we let the Jewish people stand alone against persecution and oppression," he said.

American diplomats said his trip, arranged months ago to mark the 40th anniversary of the end of World War II, had provided a timely opportunity to heal the wounds of Bitburg.

Mr Shultz, who is to travel on to Egypt and Jordan, is also using the tour to assess the chances of reviving the Middle East peace process. American

officials said it was still too early to speculate about new initiatives from Washington.

Israeli officials said Foreign Minister Yitzhak Shamir reiterated Israel's opposition to Palestinian Liberation Organisation members serving on a joint Jordanian-Palestinian delegation to peace negotiations. Jordanian and PLO leaders say the PLO should be represented. Mr Shultz is expected to look for compromise candidates when he visits Cairo and Amman.

● Heavy fighting broke out again yesterday afternoon across Beirut's "green line" separating the Moslem and Christian sectors of the Lebanese capital. The shooting followed a lull during which it was announced that Mr Elie Mobein had been chosen to head the Lebanese Forces, the coalition of Christian militias, writes our Middle East Staff.

Riots follow Hindu death

BY K K SHARMA IN NEW DELHI

Rioting broke out in Hoshiarpur town in Punjab yesterday despite a curfew after a prominent Hindu politician and president of The Peoples Party, Balbir Singh, was assassinated by Sikh terrorists.

Mobs burnt down at least 20 shops before being brought under control by police.

The assassination was the third in 10 days involving Hindu politicians in Punjab, where extremists have stepped up killing and other terrorist activity in the past fortnight.

It is thought to have been timed to coincide with the funeral of a prominent Sikh politician, the Sikh political party, which is divided among three main groups.

A week ago, an ad hoc committee was formed by the father of the late extremist leader, Sant Jarnail Singh Bhindranwale, to run Sikh affairs and he unilaterally announced the dissolution of all the factions.

The faction leaders are contesting his right to do so in secret talks, but dare not openly challenge him.

Egypt aims for change in currency policy

BY TONY WALKER AND MARGARET HUGHES IN CAIRO

EGYPT PLANS in the "near future" to allow the value of its currency in the commercial bank pool to be determined by market forces, according to Dr Sultan Abu Ali, the new Minister of the Economy.

Dr Abu Ali told the Financial Times that the Government was considering licensing foreign exchange dealers who would be intermediaries between the banks and Egyptian workers abroad.

The Egyptian Government is alarmed by the fall in the inflow of remittances since the second half of last year, partly attributable to the recession in the Gulf and to the policies of the previous Minister of the Economy.

New currency regulations, introduced in January, aimed at slashing imports and drawing funds from abroad into the banking system, were abandoned last month within days of Dr Abu Ali's appointment.

The measures were unsuccessful in attracting funds through legal channels because the rate at which the banks were prepared to purchase hard currency from workers abroad was well below the rate available on Egypt's black market.

Dr Abu Ali, who holds a PhD in economics from Harvard, said that apart from improving the mechanism for establishing the value of the Egyptian pound and increasing the flow of hard currency through the banking system, his priorities were to rationalise Egypt's price structure, raise the efficiency of the public sector and deal with balance of payments problems.

The new minister said a deteriorating balance of payments was worrying in the "short and long term". His immediate task was to restrain imports, except those needed for the "productive sector".

He said that the Government was studying a simplified method of import rationalisation based on four lists. These would cover "forbidden items," those attracting a "prohibitive tariff," such as luxuries, those on which duty would be levied to protect local industry, and a fourth list covering items in short supply in the Egyptian economy.

Dr Abu Ali said a decision on floating the Egyptian pound would not be taken immediately. He indicated Egypt may be in

a position to allow market forces to determine the currency's value after an arrangement was made with the International Monetary Fund (IMF), possibly later this year, on a stand-by credit.

Egypt is negotiating with the IMF a facility to cover expected balance of payments deficits in the next few years. Egyptian officials have said publicly that they were seeking between \$1bn-\$2bn from the IMF, but this seems optimistic.

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James Buxton looks at a poll with effects beyond mere regions and cities

Election that could determine Italy's future

THE LOCAL elections in which 44m Italians will be voting tomorrow and Monday will decide more than just who runs Italy's regions and cities. Their outcome could determine the political future of the country for the next three years.

Nearly 900,000 candidates are fighting for more than 120,000 seats on the regional councils of 15 of Italy's 20 regional governments. Of the provinces, and virtually every commune—from great cities such as Turin and Bologna to remote settlements.

The first campaign posters went up soon after New Year's Day. The Government of Sig Bettino Craxi has taken few long-term decisions—and been careful to do nothing unpopular—for several months.

MPs have assiduously voted through Bills that mean more money for special interest groups and which also boost the budget deficit.

Italians take local elections seriously because many think in terms of their city before national issues. Regional and city governments have big spending powers and exercise great influence over national politicians.

Such is the allure of local politics that several members of Sig Craxi's Cabinet are offering to give up ministerial rank to become mayors—notably Sig Bruno Visentini, the Finance Minister, who is Republican Party candidate for mayor of Venice.

The elections will also help decide the fate of the Craxi Government, which, having already lasted 21 months, is the



Sig Bettino Craxi (left), Sig Ciriaco de Mita and Sig Alessandro Natta (right) ... politicians are complaining the electorate is bored

fourth longest in Italian post-war history and one of the more successful.

In fact, Sig Craxi has said he will have to resign if the five parties of the coalition are defeated in the elections, which he has called a "mid-term test."

Whether that happens depends particularly on how the electorate treats the Christian Democrat Party, the biggest in every Italian Government since the Second World War.

The Christian Democrats cannot expect to match their performance in the 1980 local elections when they won about 37 per cent of the vote.

The question is probably whether they descend even further from the record low of just under 33 per cent they reached in the cataclysmic 1983 general election.

This level was confirmed in last year's European elections when they were overtaken for the first time (and by a fraction of 1 per cent) by the Communist Party.

This time Christian Democrat leaders are urging people to vote for them to avoid the dire consequences of another "sorpasso," or overtaking by the Communists.

Sig Ciriaco de Mita, the party leader, has abruptly changed course from the 1983 general election when he campaigned with disastrous results on an austerity platform which owed something to Mrs Margaret Thatcher's policies in Britain.

The Christian Democrats could also lose votes to the neo-Fascist Italian Social Movement (which won nearly 7 per cent of the vote in 1983) because of the unpopularity of the Craxi Government's measure aimed at forcing the self-employed to pay more tax.

They could also suffer a loss of votes in the South. But whether losses there would be offset by gains in the north remains to be seen.

The Communist vote — just under 30 per cent in the 1983 election — is generally ex-

pected to remain solid.

The outcome of elections is usually decided by shifts of only a percentage point or two in a party's vote which are difficult for opinion polls to register.

But opinion polls so far published suggest that the Christian Democrat vote will decline slightly from that of the 1983 elections, and that the Communist vote will rise a little to put them in first place. That would have serious consequences for the Catholic party, and for Sig de Mita.

Sig Alessandro Natta, the Communist party leader, has threatened that in that case, he would immediately claim the right to form a government. That is unrealistic since he could not create a viable coalition.

But the Craxi Government would be in real trouble if the votes of the other four coalition parties—the Socialists, Republicans, Social Democrats and Liberals—declined too.

Bid to head off SPD rule in state poll

By Peter Bruce in Bonn

ONE-THIRD of West Germany's voters go to the polls tomorrow in the state of North Rhine-Westphalia, the most populous in the country, in a state election that Bonn Government officials say they will regard as a dry run for the next general election, in just over two years' time.

The Christian Democrats (CDU), leaders of the Federal Government coalition in Bonn, are fighting to remove the opposition Social Democrats (SPD) from power in the state, which they have ruled—often in coalition—for the past 20 years.

They are also seeking to head off another personal success for the SPD Prime Minister in North Rhine-Westphalia, Herr Johannes Rau, who won an overall majority there in 1980.

Late polls seem to indicate, however, that the CDU will fare badly, with its share of the vote possibly falling below 40 per cent. It won 43.2 per cent five years ago, against 48.4 per cent for the SPD.

SPD officials in Düsseldorf, the state capital, were saying earlier this week they were confident of holding on to their absolute majority.

Swedish workers face lockout

Negotiations aimed at ending Sweden's 9-day-old public sector labour dispute are expected to continue through the weekend, despite a Government threat to impose a retaliatory lockout this morning, writes David Brown in Stockholm.

A mediation board continued work late yesterday in an attempt to break the deadlock between the Government and the state white collar workers union.

Airports have been closed and cross-border trade crippled in support of a retroactive pay claim by white collar workers. It has cut export shipments by as much as 50 per cent.

Albania rejects Soviet offers to forge new links

BY PATRICK BLUM IN VIENNA

ALBANIA yesterday rejected recent Soviet offers to normalise relations between the two countries, saying it would never have links with either the Soviet Union or the U.S.

Speaking at a meeting marking the 40th anniversary of the end of the second world war, Mr Proko Murra, Albanian Defence Minister, castigated the Soviet Union and the U.S. and rebuffed any Soviet hopes of warmer relations. "We have not had and will never have relations with the superpowers, the U.S. and the Soviet Union," he said.

Mr Murra's speech is the first full foreign policy statement since the death of party leader Enver Hoxha last month. Mr Murra defended Albania's staunchly independent brand of communism, lashing out equally at East and West, but singling out for particular invective the U.S., the Soviet Union and Yugoslavia. He accused them

of diminishing the role of the Albanian people in the fight against fascism. "The fate of our people was determined by the Albanian people and by nobody else."

International tensions were the result of the "aggressive expansionist and enslaving policies of the two superpowers." In the U.S. and the Soviet Union state power was in the hands of "extremist representatives of powerful military-industrial complexes," Mr Murra said.

"The two superpowers make much noise about disarmament, but neither the Reagan policy for talks nor the policy of military strategic equilibrium pursued by Moscow served the cause of peace."

Mr Murra suggested that Albania could continue its independent policy on the lines established since its revolution.

Bangladesh secures aid commitments of \$1.68bn

BY PAUL BETTS IN PARIS

BANGLADESH secured \$1.68bn (\$1.4bn) in new aid commitments from western donor countries after a meeting of the Bangladesh consortium at the World Bank in Paris yesterday.

The new pledges for the fiscal year 1985-86 starting next July are 1.7 per cent lower than the \$1.715bn Bangladesh received last year.

But senior Bangladesh officials said they expected to secure about \$200m from other sources bringing the total to \$1.93bn.

The country's total aid requirements are for \$1.92bn. The officials said that commitment levels were lower in dollar terms than last year because pledges from one regional source were about \$50m less than the year before.

Members of the consortium urged Bangladesh to improve the general efficiency of its public administration and expressed concern over its financial institutions. A group statement said that "tax credit discipline had contributed to a misallocation of scarce investment resources and that credit recovery was at unacceptably low levels."

It also stressed that increasing claims on a limited supply meant that "performance in utilising aid would become an increasingly important criterion in its allocation."

Bangladesh officials said the country's balance of payments would be in deficit in the next two years. Foreign exchange reserves are expected to fall to \$310m by the end of June 1986.

E. Europe 'ready to help Nicaragua beat embargo'

BY LESLIE COLTIT IN EAST BERLIN

NICARAGUA'S President Daniel Ortega said at the end of his East European tour in East Berlin that he had met with "great readiness" to help his country to obtain vital goods cut off by the U.S. trade embargo.

But he noted that he was not expecting "miracles" and a solution to all his country's problems from Eastern Europe.

At the beginning of Sr Ortega's tour, Mr Mikhail Gorbachev, the Soviet leader, promised that Moscow would help Nicaragua with its urgent economic problems and agreed to set up a commission to co-ordinate economic, scientific and technological co-operation between Moscow and Managua.

Sr Ortega said the embargo would have "a very serious effect" on the Nicaraguan economy because of its dependence on spare parts and machinery from the U.S. He noted that East European aid would include these products.

His talks with Herr Erich David White adds from Madrid: Sr Ortega is expected in Madrid today on his first visit to a Western country since the U.S. announced its trade embargo.

Sr Felipe Gonzalez, Spain's Prime Minister, will inform President Ortega about his talks with President Ronald Reagan earlier this week concerning Nicaragua.

Reuter reports from Geneva: The General Agreement on Tariffs and Trade is calling a meeting to discuss the U.S. economic sanctions against Nicaragua, a Gatt spokesman said yesterday.

The council meeting will be held at Nicaragua's request on May 29, he said.

Efta presses for preliminary Gatt talks

By Patrick Blum in Vienna

THE European Commission and the European Free Trade Association (Efta) are pressing for a major meeting of senior officials from all General Agreement on Tariffs and Trade (Gatt) countries to take place this summer to establish the main themes of a new Gatt round. This was announced yesterday at the close of Efta's 25th anniversary meeting in Vienna.

Mr Per Kleppe, Efta secretary-general, said after the meeting "the Commission and Efta fully agree on this," adding that it would be up to Gatt to make the final decision.

M Jacques Delors, European Commission president, who attended the conference, said that the preliminary Gatt meeting would be held between July and September.

Polish criminal code changed

POLAND's parliament yesterday passed controversial changes in the country's criminal code, to tighten repression against criminals and make it easier to punish political opponents, Christopher Bobinski reports.

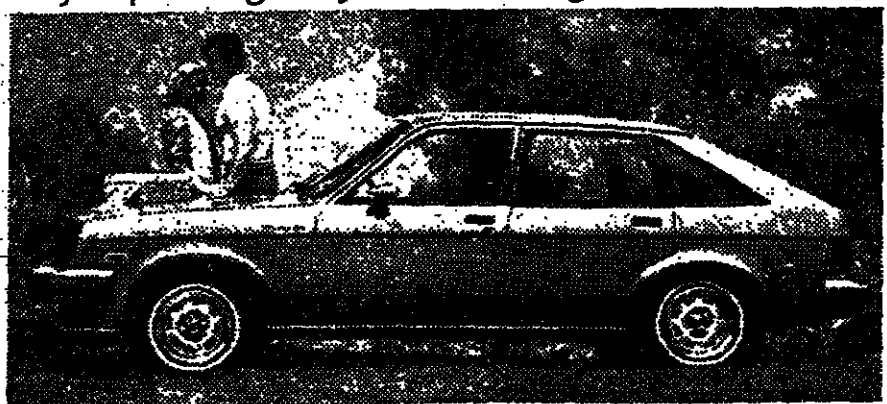
The changes, some of them permanent and others to last until 1988, have met with opposition from legal experts and in parliament yesterday a group of about 20 dissenting deputies either voted against or abstained.

The amendments bring in higher fines for demonstrators and make it easier for fines to be paid by well-wishers, as often happens. Summary procedures are also to be introduced for the articles of the criminal code, most commonly applied against Solidarity supporters, which forbids membership of an illegal organisation.

This will curtail the defendants' rights, speed up procedures and avoid excessive publicity.

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UK NEWS

Brokers link
as prelude
to Citicorp
merger

By John Moore, City Editor

SCRINGEOUR Kemp-Gee and Vickers da Costa (UK), the stockholders, will start trading as a joint company from Monday in another step in the proposed merger of the two brokers with Citicorp, the U.S. banking group.

A company called Scringeour Vickers and Company is to be established. The arrangements will be completed today. Citicorp International Bank has a 29.9 per cent stake in the merged operation. It intends to raise its stake to 100 per cent in the merged unit once Stock Exchange rules limiting outsiders to a 29.7 per cent stake are relaxed.

Scringeour Kemp-Gee said yesterday there had been a big strengthening of research effort for the combined operation. A new property research team has been created, following some departures at Scringeour. Mr Adrian Elwood, from County Bank, Mr Alex Felmore, from De Zoete & Bevan, and Mr David Jones, ex-deputy editor of the Estates Times, have been recruited.

Mr Tim Clarke, the former senior analyst at Greaveson Grant, the stockbroker, has joined the banking research team. Ms Lesley Anne Murray has joined the traded options team from Capel-Cure Myers, the stockbroker. Mr John Hewitt, joint head of research, said yesterday: "This is by no means the end of our recruitment plans. We are currently in discussions with a further three senior analysts to add to existing strengths. We feel that the era we are entering in the City will continue to make good people gravitate towards leading operations." In the merged operation over 360 staff of Scringeour will be working with about 70 staff of Vickers (UK).

Social security deters
enterprise, says Lawson

BY MARGARET VAN HATTEN, POLITICAL CORRESPONDENT

BRITAIN'S social security system was an encouragement to idleness and irresponsibility, and a discouragement to initiative and enterprise, Mr Nigel Lawson, Chancellor of the Exchequer, said yesterday.

He told the Scottish Tory Conference in Perth that the comprehensive review of social services approved by the Cabinet on Thursday was designed to reverse the situation.

"We must ensure that all this money is well spent; that it goes to people in real need. And that it is not spent in a way which discourages initiative and enterprise."

That was why the review conducted by Mr Norman Fowler, Social Services Secretary, was so important. The review would be widely criticised—an outcome he sought to prevent.

"I would just say this: when all the critics start their special pleading, ask yourselves these questions: can we afford a system with open-ended commitments and commitments quite unrelated to the performance of the economy and the creation of wealth?"

Can we afford a system which encourages idleness and irresponsibility and discourages initiative and enterprise? And can we do justice to the really needy, if we extend benefits to those well able to look after themselves?"

Mr Lawson, replying to mounting criticism from within the Tory Party over the Government's failure to reduce the unemployment levels, insisted that there was no alternative

to his economic policies. "Removing controls, encouraging initiative and making room for tax cuts is the only way to tackle the scourge of unemployment," he said.

"What we are doing is to create a climate in which business and industry can invest and expand, in the knowledge that their profits will not be eaten away by inflation, or taxed out of existence."

The fruits of such policies were beginning to show. The economy was entering its fifth year of strong growth, outperforming both France and Germany. If it had not yet caught up with Japan and the U.S., it was because public expenditure as a proportion of GDP in those two countries was the lowest in the West.

Government supporters were tired of the old clichés about there being no alternative to present economic policies. Mrs Thatcher should reshuffle her Cabinet, removing some of those whose views coincided with her own, but who were not fitted for the highest office, and bringing in more who were prepared to voice the sort of constructive criticism voiced by Mr Walker, Mr Cormack said.

Mr Patrick Cormack, Tory MP for Staffordshire South, speaking earlier in the same programme, accused the Government of never having had a grip on the problem of unemployment.

He said in a speech last night in his constituency that the Government should set targets for cutting unemployment —

44 per cent of backbenchers supported their views, were "not cataclysmic."

"They would say that people always feel that," Mr Brittan said. "There is no magic solution, there is no easy alternative — but we must all do better in the way of presentation. It's not a question of softening or hardening our policies, but of clarifying them."

Mr Patrick Cormack, Tory MP for Staffordshire South, speaking earlier in the same programme, accused the Government of never having had a grip on the problem of unemployment.

He said in a speech last night in his constituency that the Government should set targets for cutting unemployment —

starting with a cut of 500,000 over the next 18 months.

"There is no hiding the fact that many of the Government's natural supporters are increasingly concerned by what they see as an unimaginative laissez faire attitude to the greatest social problem of our time."

Government supporters were tired of the old clichés about there being no alternative to present economic policies. Mrs Thatcher should reshuffle her Cabinet, removing some of those whose views coincided with her own, but who were not fitted for the highest office, and bringing in more who were prepared to voice the sort of constructive criticism voiced by Mr Walker, Mr Cormack said.

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Brittan dismisses Tory qualms

BY MARGARET VAN HATTEN

INDICATIONS of rising discontent on the Tory backbench over the Government's failure to reduce unemployment were dismissed yesterday by Mr Leon Brittan, Home Secretary. He said the unemployment issue posed a problem of presentation rather than of policy or performance.

Mr Brittan said on BBC Radio 4 that the Government would have to try harder to explain and clarify its policies. But recent criticisms of the Government's failures in that area by senior figures, including Mr Peter Walker, Energy Secretary, and Mr David Howell and Mr Ian Gilmour, former Cabinet ministers, together with a BBC Newsnight poll indicating that

strong Home Office support. It would have outlasted soliciting from a car: introduced a maximum fine of £2,000 for soliciting in a frightening manner; and increasing penalties for attempted rape and indecent assault.

Miss Foulkes accused her colleagues of killing the Bill by tabling a long series of amendments which there was insufficient time to debate, and by filibustering on the floor of the Commons.

Mr David Mellor, Home Office Under-Secretary, described the fate of the Bill as "thoroughly unreasonable." He said agree-

ment had been reached with Ms Jo Richardson, Labour's spokesman on women's affairs, on amendments to parts of the Bill on which she had reservations.

He was distressed that the Bill had been killed by "two unrepresentative opinions," and warned that there was no chance of a Government Bill in the next parliamentary session.

Mr Parris urged the Government to bring in a comprehensive Bill dealing with the whole issue of prostitution and soliciting. Mr Marlow said it was bad Bill which could have endangered innocent people.

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Bacardi
aims new
drink at
young adults

By David Churchill, Consumer Affairs Correspondent

BACARDI rum, the privately owned producer of the world's best-selling spirits brand, yesterday launched its first new product in the UK since the original Bacardi rum drink was developed more than a century ago.

Besque is intended by Bacardi to capture a substantial share of the growing demand for new drinks from Britain's young adults, who spurn what they see as "old-fashioned" drinks such as beer and established spirits in favour of drinks with less alcohol and a lighter taste which have been given a "trendy" image through extensive advertising.

Besque is made from an undisclosed formula and is described as a "clear, crisp, tempered spirit with a citrus twist." The drink was first marketed in Scotland last year and yesterday was launched nationally with a £3m marketing budget including extensive television advertising.

"We hope it will become another Bacardi rum," said Mr Juan Prado, a senior vice-president of Bacardi International. "It is our first serious attempt world-wide to launch a new product and represents a major initiative for our company."

Bacardi rum was developed in Cuba in the middle of the last century by the company's founder, Don Facundo, whose process turned the harsh and coarse rum of the time—made by distilling sweet molasses—into the more mellow spirit drunk today.

Bacardi became one of Cuba's largest companies — until Dr Fidel Castro came to power in 1960 and promptly nationalised the rum distilleries. The company moved to Bermuda and fought a fierce legal battle to retain ownership of the Bacardi trade mark.

Bacardi rum is sold in 175 different world markets and produced in nine distilleries with a further eight bottling plants throughout the world. Although Mr Prado insisted that Bacardi still had plenty of growth left itself — in 1980 it ousted Smirnoff as the top selling spirit brand world-wide — he said the company was anxious to move into new markets. "Since we left Cuba, the business has been growing so fast that we have not had the time or resources to look for new products," he said. "Now we are determined to take advantage of our reputation and explore new products."

Bacardi chose the UK as the launch-base for its first new products because the size of the market made it more manageable, compared to the U.S.

Test-marketing in Scotland last year convinced Bacardi of its potential. Among 18 to 24 year olds, the prime target, about 27 per cent have tried the drink and four out of every 10 of these are repeat drinkers.

Bacardi hope that Besque will compete with vodka and vermouths rather than the more fickle specialty drinks and liqueurs market. "We don't think it will harm our main Bacardi brand," insists Mr Prado. "We wouldn't have launched it if we thought that might happen."

Bacardi's strategy is that young drinkers will be weaned from Besque to Bacardi as they develop their drinking habits.

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Ex-director attacks
Government policy
on Austin Rover

BY JOHN GRIFFITHS

A SCATHING attack on the Government's attitude towards Austin Rover and the UK car industry has been made by Mr Brian Fox, the company's former director of vehicle manufacturing, who left Austin Rover about 10 days ago, it was disclosed yesterday.

Mr Fox said that he had not resigned from Austin Rover as a direct protest against the Government's insistence on £250m cuts in BL's proposed 1985 corporate plan, but disillusionment with the Government's attitude and its encouragement of Japanese car makers into the UK had been a significant factor.

Mr Fox, 47, who had been with Austin Rover for 12 years, said that he was leaving the motor industry altogether. He had several offers of jobs.

He described the Government's attitude as horrific and claimed that Austin Rover's success, first instituted by Sir Michael Edwards, had proved an embarrassment to the Government.

"They wanted the company to grovel, to turn out as a lame duck so that they could shut it down and the population could have a sigh of relief and cheer the Government for doing so. It hasn't happened," Mr Fox said.

"The company is a success and has a good future. I believe it should warrant the Government's support and that isn't happening." It was "inducious to allow the Japanese to set up plants in the UK. It's like a ladder, letting his opponent lumber up in his own back yard, knowing that he's going to get punched on the nose."

The corporate plan was a sensible business strategy for the next five years. The Government should evaluate it as a business plan and ensure that whatever funding was needed was made available.

He was not opposed to collaboration with the Japanese, as had already occurred between Austin Rover and Honda, but it was extremely short-sighted of the Government to resist the company's planned £250m investment in a new small engine range, the K series, to preserve Austin Rover's engineering integrity, particularly when Continental governments were lending substantial support to their own car industries, Mr Fox said.

UP TO 11,000 West Midlands motor industry jobs could be lost if the Government refuses BL's plan to develop a new car engine and gearbox. Mr Dan Jones, senior research fellow at Sussex University's Science Policy Unit, said yesterday.

If the Government insisted BL's Austin Rover lopped £250m from its investment budget and the engine development went to Honda of Japan instead "there would tear the heart out of the business. Austin Rover would cease to be a major car maker. It would be a national disaster," Mr Jones told a West Midlands County Council seminar on industrial decline.

However, if Austin Rover achieved a vehicle output of 550,000 by 1985, West Midlands could expect a net gain of 3,500 jobs even if the proportion of imported components in the car rose from the current level of 15 to 20 per cent.

The next five years. The Government should evaluate it as a business plan and ensure that whatever funding was needed was made available.

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Race begins
for British
Gas fees
bonanza

By Dominic Lawson

THE CITY'S race to share the lucrative fees to be generated by the privatisation of the British Gas Corporation has begun.

The Department of Energy yesterday set a deadline of next Thursday for the handing in of applications from market participants wishing to advise the Government on the biggest privatisation exercise to date.

A broker said: "The fees for this sort of work are very generous and, on an issue of this scale, enormous."

The underwriting fees are usually about 1.5 per cent of the value of the offer. If the Government offered all the corporation's equity in one go, underwriting fees of well over £100m would be in prospect.

The TUC estimated in a report published this week that City institutions so far had received privatisation fees of at least £128m.

A front runner for the key job of handling the offer for the Government is Kleinfelt Benson, which acted for the Government in the privatisation of British Telecom last year, the only public asset sale of comparable size.

Further competition is in prospect for the task of acting for British Gas. Morgan Grenfell is a strong candidate because it has acted for the corporation in other financial deals.

Prospects of an important oil discovery in the North Sea emerged yesterday after reports that Phillips, the U.S. oil company, had encountered an oil bearing zone well over 1,000 ft thick. The well, in block 16/12B, has not yet been tested.

Engineering
group to axe
200 jobs

By Ian Rodger

MARKHAM, a Chesterfield-based engineering company, is cutting 500 workforce by 200 because of difficult trading conditions in its main business, building large metal fabrications.

The company, a subsidiary of the John Brown group with annual turnover of about £12m, has suffered losses in each of the past four years, and could not foresee any significant increase in the level of business it could attract.

Markham makes water turbines, controllable pitch propellers for ships, usually on a sub-contract basis, and mining and tunnelling equipment.

Mr W. H. Taylor, managing director, said the company in its reduced form would have a better opportunity of competing for profitable business. "I am also confident that the new structure will offer greater security for the remaining 300 employees," he said.

The job losses would be taken from all levels of staff and employees.

Barclays to charge
non-customers more

By George Graham

BARCLAYS BANK is to make customers of other banks pay more when they use its branches from June 3.

It will raise the weekday charge for cashing a personal cheque from 50p to 75p. The charge for paying money in will remain 40p.

Barclays charges £2 on Saturday mornings for non-customers.

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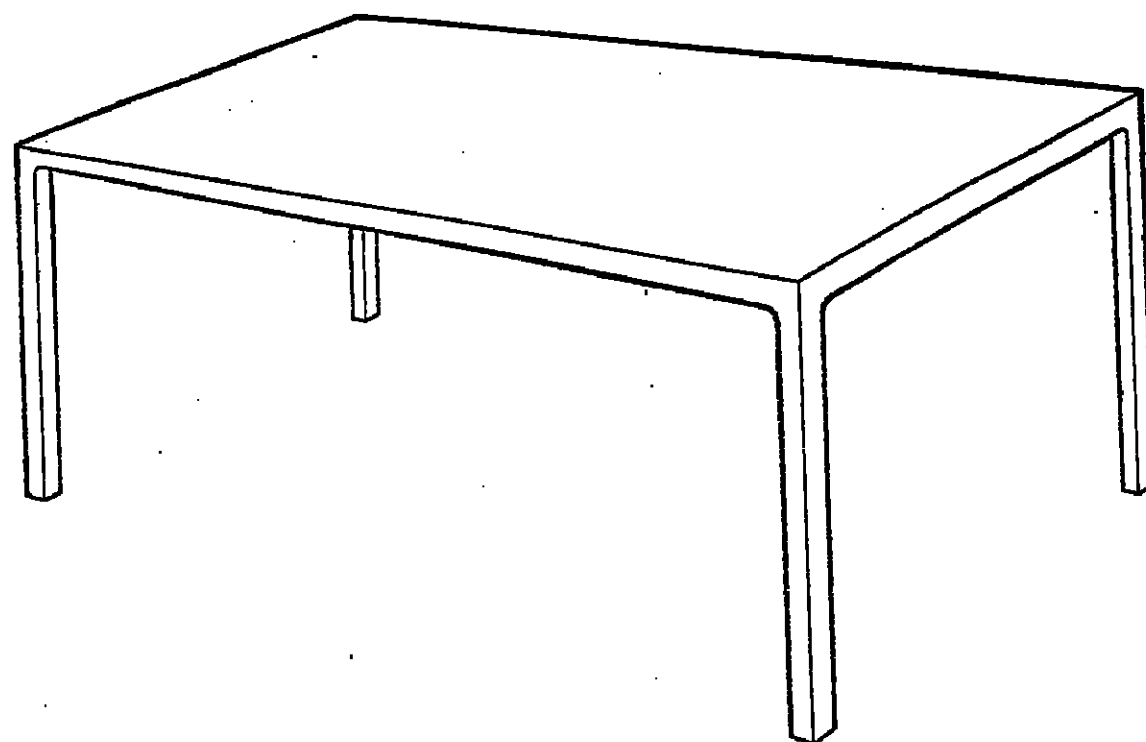
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On Tuesday you'll see
a major advance in computing.
(But not from the computer company you may have first thought of.)



UK NEWS

Travel agents try to ease Spain's tourism problems

BY ARTHUR SANDLES

SPANISH Government officials will be meeting a team of UK tour operators and travel agents in Madrid next week to seek ways of resolving Spanish tourism problems from the impact of terrorist bombings, rising prices and stories of street violence.

The talks will also attempt to find an answer to arguments between the Spanish and UK charter airlines over demands that Spain's own airlines should have a much bigger share of UK charter traffic. The Spanish are seeking to limit UK charter flights in order to put British holidaymakers into Spanish jets.

The meetings come at a time when there is little sign of relief in Spain's tourism problems. The UK package tour industry is still showing bookings about 25 per cent down on the same period last year, with Spain taking the brunt of the depressed sales.

While Greece and Yugoslavia are rapidly filling their hotels with British and German tourists, the Spaniards are being driven into cut price deals with companies in order to drum up last minute business.

The team from the Association of British Travel Agents going to Madrid on Monday will meet several officials including Mr Ignacio Valfredo Tome, director general for the

TRANS-WORLD Airlines is to continue and greatly expand its discount tour operation from the UK to New York in the wake of demand which, in a year when the pound has been weak against the dollar, greatly exceeded expectations.

TWA's "Welcome back to the two dollar pound" programme, so called because of its accommodation and other discounts, has been extended from Manhattan to the whole of New York State. Return flight prices range upwards from £362 per person this summer. If three people travel together a free Avis car is included.

Mr Tim Brier, TWA's UK general manager, said the demand for winter season trips had been "300 per cent up on the number we had projected."

promotion of tourism. From recent market reports, they will be able to tell the Spaniards that bookings are picking up in the UK, but not fast enough to produce anything but a poor season. In fact, one of Britain's top three tour companies, said it had "seen a rush" of late

bookings recently, but Spain was still suffering badly.

Intasun said: "We considerably expanded our capacity to Greece for this year, and are told that we are now the world's biggest tour company to that country, and it seems we made a very wise decision."

Trade indications in the UK are that the recent bombings have had very little direct effect on bookings in Spain, however.

There is much deeper concern about street violence and terrorism. The Madrid authorities have already promised to move more police to the resort areas to deal with this.

On Majorca, which has not seen as serious a fall in bookings as some of the Costas, the local authorities have taken several steps, including improved policing.

● Bass is to merge its hotels and holiday operations into one company, Bass Hotels and Holidays, with the loss of "up to 100 jobs" phased over the next year.

The move brings together the management and administration of Crest Hotels and Pontins.

Another Bass operation, Holiday Club International, was effectively moved to Horizon Holidays management under a recent deal which gave Bass a stake in that company.

Dorchester appeal lost by Sultan of Brunei

THE SULTAN of Brunei, new owner of the Dorchester hotel in Park Lane, London, yesterday, lost his appeal against a temporary injunction granted to the management company, the Hong Kong based Regent International Hotels, allowing them to remain in control after he had tried to sack them.

Three Appeal Court judges unanimously dismissed an appeal by the Sultan's hotel company Pageguide, seeking to set aside Regent's 15-year management contract.

Leave to appeal to the House of Lords was refused, but it is still open to Pageguide to seek leave from the Law Lords themselves.

The interim injunction, granted in the High Court, allows Regent to remain as members of the Dorchester pending resolution of the contract dispute.

The battle for control of the hotel is said to have caused a revolt among the 600 staff who have been critical of the present management.

Regent's 15-year contract was part of the agreement signed by the Sultan when he bought the hotel from Regent for a sum well in excess of £40m four months ago.

Lord Justice Ackner said yesterday that the "balance of convenience" was clearly in favour of continuing with the present management.

In the High Court, Mr Justice Simon Brown had recognised rightly that Regent, with apparent success, managed a substantial number of luxury hotels, including at least two which were rated by one respected body among the world's top 12, the appeal judge said.

Mr Justice Brown had been entitled unhesitatingly to reject Pageguide's claim that no injunction should be granted because Regent could be adequately compensated by damages if the dispute were finally resolved in their favour.

Mr Rafael, an executive vice-president of Regent, had said the removal from the Dorchester management would have disastrous consequences.

They would find it extremely difficult, if not impossible, to secure the management of another London hotel.

Malcolm Rutherford reports on the steady decline of the by-election

Taking the poetry out of politics



Lord Avebury, formerly Eric Lubbock: Liberal winner at Orpington in 1962



Michael Hancock: victor at Portsmouth South last June for the SDP

ANEURIN BEVAN said that public opinion polls take the poetry out of politics; so does the decline of the British by-election. It is not just that under Mrs Thatcher's premiership MPs have become leaner and fitter—the decline goes back much further.

By-elections used to be an essential part of British political life, full of fun and zest, the issue of the moment and, perhaps best of all, the unpredictable outcome.

Between 1919 and 1939 there were an average of 18 a year. Between 1945 and 1970 the average had dropped to 11. By the period 1970 to 1984 it had fallen to six.

The Second World War distorts the statistics because there was no general election between 1935 and 1945. Still, it is striking that between 1918 and 1970 each parliament by the time it was dissolved had an average of 35 members who had come in at by-elections.

Under Mrs Thatcher's first administration, which ran for four years, there were only 20 members who had not been there at the start.

There was only one by-election under the (now) Lord Wilson's administration in 1975 and only one again under Mrs Thatcher's in 1980. Both of these, incidentally, were in years immediately following a general election.

The by-election caused by the death this week of Mr Tom Hooson, Conservative member for Brecon and Radnor, will be the first this year.

One reason for the change over the years may be the declining average age and increasing professionalism of MPs. They enter politics as a career and intend to stay there. Another is that there are fewer seats for them to proceed to—no more colonies to be sent to govern.

Elevation to the House of Lords, a past cause of by-elections, is also generally out. The Tories very nearly lost Penrith in the by-election of July 1983 after the sitting MP, Mr William Whitelaw, had

moved to the upper chamber, even though he was still deputy leader of the party. So the best most Tory MPs have to look forward to nowadays is a knight-hood rather than a peerage. By-elections are dangerous. That is not solely a Tory conclusion. All governing parties seem to have become more wary of by-elections, at least since the Liberal victory in Orpington in 1962 and possibly since the Liberal victory in Torrington in 1958.

The Liberals—and now the Alliance—tend to be both the great winners and the great

losers of by-elections. The more they win the fewer by-elections seem to be held. They are almost obliged to win Brecon and Radnor to show that they are a serious force.

Yet the figures over the years do not entirely bear out the theory that governments suffer unduly from by-elections in terms of seats. There were 795 by-elections between 1919 and 1970, of which 140 led to a seat changing party hands. There were 85 by-elections between 1970 and 1984, of which 24 led to a change. That does not suggest an enormous growth in volatility.

Besides, some of the seats revert to the original party at the next general election. Who now remembers that Ripon elected a Liberal in 1973, Ashford a Tory in 1977, or that Mrs Margo MacDonald seemed to be sweeping Scotland before her when she won Glasgow Govan from Labour?

The incidence tends naturally to increase as a parliament wears on. There were 12 by-elections in 1973, the last full year of Prime Minister Edward Heath. In 1978, the last full year of Mrs Margaret Thatcher, there were eight in 1982 under Mrs Thatcher.

The general decline, however, is worth noting as a footnote to British politics. Political careerism and the dominance of the party whips have taken over. Some of the fun and the flexibility have gone. Nowadays a government hangs on for dear life or grim death: that is quite a constitutional change.

Mitigation cited as Posgate appeal ends

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE APPEAL by Mr Ian Posgate against findings of a Lloyd's disciplinary committee that he was guilty of discreditable conduct, and the committee's recommendation that he be expelled from life from the Lloyd's underwriting market, ended at the National Liberal Club yesterday.

Mr Posgate's counsel put forward mitigating factors for the appeal tribunal to consider should factors decide to uphold the findings.

Lord Wilberforce, a former Law Lord who heard the appeal, said his written decision would be given to Mr Posgate and Lloyd's in due course.

It will be confidential until it has been considered by the Council of Lloyd's.

Mr Posgate was held by the

disciplinary committee to have accepted a Pissarro painting worth \$90,000 and Swiss bank shares valued at \$750,000, knowing they were intended to influence him to place reinsurance business through the Alexander Howden Group.

Mr Posgate, who has been suspended from the market since September 1982, claims the gifts were for services he had rendered to Alexander Howden Group and Mr Kenneth Grob, its chairman, and were not bribes.

The committee acquitted him of more serious charges of being a party to plundering, siphoning off funds and shuffling figures of the Alexander Howden Group.

Yesterday, Mr Robert Alexander, QC, his counsel, put for-

ward mitigating factors in the event of Lord Wilberforce upholding the committee's findings.

● There has been no loss to Mr Posgate's "names"—the members of the Howden underwriting syndicates for whom he acted.

● The sale by Alexander Howden of the shares in Banque du Rhone et de la Tamise to a syndicate controlled by Mr Grob, 10 per cent of which were given to Mr Posgate, had not been an under-value.

● Mr Posgate had been "under the domination of Mr Grob."

Mr Alexander said Mr Posgate had already suffered a very substantial penalty as a result of his suspension and the effect on his reputation.

Plan issued for Crown Prosecution Service

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A RECOMMENDED ground plan for a new Crown Prosecution Service, independent of the police was published yesterday by the Government.

A report commissioned from Arthur Andersen and Co, the management consultancy, envisages a staff of about 3,000 operating in offices throughout the country and headed by the Director of Public Prosecutions.

It generally accords with the views of the Government when it first decided on a new independent prosecutions system and recommends that the

service should be divided into districts broadly comparable with existing police force areas.

Each district, headed by a Chief Crown Prosecutor, would be split into branches about five to each police area—with staffs ranging from about nine to 80, depending upon the area.

Local prosecutors would be responsible for most criminal prosecutions—about 1m a year in the reports expects—but decisions on cases involving large and complicated frauds, obscene publications and allegations involving police officers, would remain with the Director.

ECONOMIC DIARY

MONDAY: EEC Agriculture Council meets in Brussels. Local Government Bill in committee. Lords, IMF and African Central Bank governors hold seminar in Nairobi on "Africa and the IMF" (until May 15). BIS monthly meeting in Basel. GATT consultative group meets in Geneva (until May 14). Civil and Public Service Association conference in Brighton (until May 17). Society of Civil and Public Servants annual conference in Eastbourne (until May 17). TUESDAY: Gulf Co-operation Council Finance Minister meet in Riyadh. Building Societies' monthly figures (April). Retail sales (April-provisional). Sixth session of the European disarmament conference in Stockholm.

WEDNESDAY: Average earnings (March, provisional). Employment, hours and unit wage costs. Mining unions meet NCB over pit closure programme. Burnham Committee discusses teachers pay dispute. Local Government white collar pay talks. Latin American Economic System (SSEA) Foreign Ministers meet in Caracas to discuss trade embargo against Nicaragua. THURSDAY: London sterling certificates of deposit (April). UK banks assets and liabilities and money stock (mid-April). FRIDAY: Tax and price index (April). Retail prices index (April). Public sector borrowing requirements (April). Index of output for the production industries (March).

BASE LENDING RATES

Allied Irish Bank	12 1/2%	Hill Samuel	12 1/2%
American Express Bk	12 1/2%	C. Hoare & Co	12 1/2%
A.B.N. Bank	12 1/2%	Hongkong & Shanghai	12 1/2%
Henry Ansbacher	12 1/2%	Johnson Matthey Bkrs	13%
Amro Bank	12 1/2%	Knowsley & Co. Ltd.	13 1/2%
Associates Cap. Corp.	13%	Lloyds Bank	12 1/2%
Banco de Bilbao	12 1/2%	Edward Manson & Co.	14%
Bank Hapoalim	12 1/2%	Mecherjols & Sons Ltd.	13 1/2%
BCCI	12 1/2%	Midland Bank	12 1/2%
Bank of Ireland	12 1/2%	Morgan Grenfell	12 1/2%
Bank of Cyprus	12 1/2%	Mount-Credit Corp. Ltd.	12 1/2%
Bank of India	12 1/2%	National Bk of Kuwait	12 1/2%
Bank of Scotland	12 1/2%	National Girobank	12 1/2%
Banque Belge Ltd.	12 1/2%	National Westminster	12 1/2%
Barclays Bank	12 1/2%	Northern Bank Ltd.	12 1/2%
Beneficial Trust Ltd.	12 1/2%	Norwich Gen. Trust	12 1/2%
Brit. Bank of Mid. East	12 1/2%	People's Trust	14%
Brown Shipley	13%	Provincial Trust Ltd.	13 1/2%
CL Bank Nederland	12 1/2%	R. Raphael & Sons	12 1/2%
Canada Permanent	12 1/2%	P. S. Refson	12 1/2%
Cayzer Ltd.	12 1/2%	Roxburgh Guarantee	13 1/2%
Cedar Holdings	14%	Royal Bank of Scotland	12 1/2%
Charterhouse Japhet	13 1/2%	Royal Trust Co. Canada	12 1/2%
Choulatras	12 1/2%	J. Henry Schroder Wagg	12 1/2%
Citibank NA	12 1/2%	Standard Chartered	12 1/2%
Citibank Savings	12 1/2%	TCB	12 1/2%
Clydesdale Bank	12 1/2%	Trustee Savings Bank	12 1/2%
C. E. Coates & Co. Ltd.	12 1/2%	United Bank of Kuwait	12 1/2%
Commerzbank N. East	13%	United Mizrahi Bank	12 1/2%
Consolidated Credits	12 1/2%	Westpac Banking Corp.	13%
Co-operative Bank	12 1/2%	Whiteaway Ltd	13 1/2%
The Cyprus Popular Bk	12 1/2%	Williams & Glyn's	12 1/2%
Dunbar & Co. Ltd.	12 1/2%	Winttrust Secs. Ltd.	12 1/2%
Duncan Lawrie	12 1/2%	Yorkshire Bank	12 1/2%
E. T. Trust	13%	Members of the Accepting Houses Committee	
Exeter Trust Ltd	13 1/2%	7 day deposits 9 1/2%, 1 month 10 1/2%, Top Tier—£2,500+ at 3 month notice 12 1/2%. At call when £10,000+ remaining deposited	
First Nat. Fin. Grp.	13 1/2%	Call deposits £1,000 and over 15% gross	
First Nat. Secs. Ltd.	13 1/2%	21-day deposits over £1,000 10 1/2%	
Robert Fleming & Co. Ltd.	12 1/2%	Mortgage base rate	
Robert Fraser & Ptns. 13 1/2%		**See Provincial Trust Ltd.	
Grindlays Bank	12 1/2%	Demand deposits 9 1/2%	
Guinness Mahon	12 1/2%		
Hambros Bank	12 1/2%		
Heritable & Gen. Trust	12 1/2%		

Close race in contest for GMBU leadership

By Brian Groom, Labour Staff

MR DAVID WARBURTON appears to be running Mr John Edmonds surprisingly close in the early stages of the contest for the leadership of Britain's third largest union, the General Municipal and Boilermakers Union.

Branch nominations closed yesterday. Although final nomination figures are not yet known, a number of unofficial calculations are circulating within the union.

According to one calculation among supporters of Mr Edmonds, the public services national officer, he has been nominated by 321 branches representing 131,000 votes; Mr Warburton, the national chemicals officer, by 104 branches with 118,000 votes; and Mr Tom Burlinson, the northern regional secretary, by 276 branches with 76,000 votes. NO 22—S/B

This view has it that the odds are 3-2 on for Mr Edmonds, even for Mr Warburton, and 50-1 against Mr Burlinson.

Calculations by Mr Warburton's supporters are in line with this view. Their figures, calculated earlier this week, suggested that Mr Edmonds had been backed by branches with 115,000 votes, Mr Warburton by branches with 107,000 votes, and Mr Burlinson by branches with 70,000 votes.

Branch nominations are not necessarily a firm guide to the outcome of the election. Many of the union's 3,000 branches have not nominated anyone, and in the last leadership battle a number switched sides during the campaign.

However, they have more significance than in some unions because of the GMBU's branch block vote electoral system, in which all the votes of a branch are cast for a particular candidate once a decision has been made on which way to vote.

Voting in the election to succeed Mr David Bassett, the current general secretary, begins next month.

Mr Warburton's backers have been pleased by the breadth of support he has won from branches across the country and in different occupational groups.

They claim most of Mr Burlinson's nominations have come from his own northern

Legal action likely on TGWU vote

BY DAVID GOODHART, LABOUR STAFF

LEGAL ACTION is expected next Tuesday to try to force the Transport and General Workers' Union to publish branch voting figures from last year's general secretary election and the re-run due to start on Monday. If the union refuse to co-operate an injunction may be sought delaying the re-run election.

Mr Declan Hughes, a 31-year-old farmworker from Kent, sent a letter through his solicitor to the TGWU on Thursday asking for the branch voting figures, arguing that the union's rule 13 gives members the right to see them.

The significance of the figures is that they form the only real basis for checking alleged irregularities. It is far easier to check branch votes against how members say they voted than it is to try a similar check at regional level.

It is also possible to check on any irregularities between the branch totals and the regional totals.

Thus the release of the figures would give a far clearer picture of any alleged irregularities in the last ballot and also be a powerful disincentive to anyone considering tampering with the votes in the re-run.

The TGWU last night made it clear that it would not willingly release the figures. Mr Moss

Evans, the general secretary, said: "On the face of it, it appears that there has been a misinterpretation in the letter we have received of the union's rule 13."

It seems likely therefore that the union will defend itself in court probably on Tuesday.

A spokesman for Lawford and Co, the solicitors representing Mr Hughes, said that they would be asking the court to order disclosure if the union acts in contravention of its own rules.

He added that if that was unsuccessful an injunction might have to be sought to stop the new election.

Mr Hughes has been campaigning for some months to try to get full publication of the branch voting results but with no success.

The Lawford's spokesman said: "Mr Hughes points out that at the moment union members have no way of knowing whether their branch submits any return at all and if so what was the return and how many votes were cast for each candidate."

"He argues that one of the practical safeguards against malpractice is for those who are responsible for conducting the branch ballots to know that their members will be informed of exactly what has been done in their name."

Equal value issues are such an expanding area that Industrial Relations Services, the company which publishes the Legal Bulletin, has just launched an Equal Opportunities Review, which will be published six times a year.

In the year since the law came into force, about 70 cases have begun. Only two have gone all the way through the procedure, partly because the legal machinery is complex and time-consuming, but there have been some out-of-court settlements.

A complaint by three female boxmakers that they were doing work of equal value to that of

that of the labourer, but the tribunal ruled in favour of all 14.

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Pit deputies end battle to save Bedwas

NACODS, the pit deputies' union, has given up its battle against the closure of Bedwas colliery, South Wales, and has advised its members there to seek transfer or redundancy.

The move came yesterday as the union began balloting its 17,000 members on a proposed overtime ban in protest at what it claims are closures without consultation. The result is expected on Thursday.

There is increasing bitterness in Nacods over the National Coal Board's decision to close pits which it says were damaged during the year-long pit strike without putting them through the colliery review procedure.

Mr Michael Eaton, coal board spokesman, insisted that there had been full discussions with the unions, a claim strongly denied by Nacods.

Mr Eaton said that the new colliery review procedure agreed with the deputies last year, which averted a national Nacods strike, was "sacrosanct." There should be a decision very soon on the setting-up of the new machinery, which includes an independent appeals body.

However, Mr Peter McNestry, Nacods general secretary, said yesterday that the union would "refute completely" that there had been full discussions on the closure of strike-damaged pits. He accused the board of delaying talks on the procedure.

Production at two South Wales collieries was at a standstill yesterday as a result of a row over alleged sabotage at a coal washery, writes Robin Reeves.

About 500 miners at Cwm colliery, mid-Glamorgan, walked out on Thursday after 110 washery workers had been sent home by management over an incident in which a conveyor gearbox was cracked by a nut placed in an oil-dipper can. Yesterday some 600 miners at Cwm colliery—linked to Cwm underground—were also sent home because of the dispute.

Management spokesman described the gearbox incident as the culmination of a series of irregularities which had affected coal production since the end of the miners' strike.

Informal talks between the two sides failed to resolve the issues. Miners at both collieries plan to meet tomorrow

'Perhaps the bravest man I ever knew...'

and now, he cannot bear to turn a corner

Six-foot-four Sergeant "Tiny" G.T.T., DCM, was perhaps the bravest man his Colonel ever knew. But now, after seeing action in Aden, after being badly wounded and ambushed in Northern Ireland, Sergeant "Tiny" cannot bear to turn a corner. For fear of what is on the other side.

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These men and women have given their minds to their Country. If we are to help them, we must have funds. Do please help us with a donation, and with a legacy too, perhaps. The debt is owed by all of us.

"They've given more than they could—please give

The man who advised his London board to buy into a Korean company which the South China Morning Post had blown the whistle on last week.

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Saturday May 11 1985

Kicking the sleeping dogs

THE SMALL, loyal band who regularly listen to Prime Minister's Question Time will have heard something new this week—a gentle-toned Mrs Thatcher essaying the soft answer which turneth away wrath. This is a calculated concession to the restiveness on the backbenches and in the constituencies about the Government's disappointing standing in the polls, and especially the flight of former Conservative supporters in the South into the arms of the Alliance. Alliance support is now beginning to clump in its areas of greatest strength, just like Conservative and Labour support, which could make third-party votes a good deal more effective in terms of parliamentary seats, and the fact has not been lost on the party managers.

The Conservative warriors are not likely to be much soothed by the Prime Minister's new style at the Despatch Box; for although they loyally say that the Government has excellent policies and simply needs better presentation and tone, they are worried by what the Government does and fails to do. Sir Robert Walpole, the great Whig grandee of the 18th century, used to recommend letting sleeping dogs lie. Mrs Thatcher, a 20th century Whig in much of her approach, clearly has no time. The sight of a sleeping dog clearly makes her toe itch.

The result is a controversial kind of activism which does not go with the new style, and a host of attendant political problems. The latest upheaval in metropolitan government has exposed the Government to a series of defeats by its own nominal supporters in the House of Lords.

New regime

Those who have always looked to Mrs Thatcher for radical change must welcome this burst of activity. Some of the changes, such as local government reform, have been all thought-out, but there are important, if difficult, principles involved in pensioning off local finance and a case can certainly be made for reform. What is harder to defend is the sheer pace at which all these issues are being tackled, both in rating reform and in the Government's other new drive, for privatisation. How will the Lords—and the more thoughtful voters—react to half-baked proposals on pensions or local tax, or for that matter to the proposal to privatise British Gas as a monopoly, instead of introducing competition, as Mr Nigel Lawson once promised?

For the markets this new regime of high-speed radicalism has two implications, neither of them very encouraging. First, the privatisation drive is going

to impose a big burden on the equity markets rather soon, while phased pension reform will mobilise new savings for investment in the markets a good deal later.

The market has been drifting sideways ever since the Telecom issue and, indeed, has done worse if you net out the large gains in Telecom itself. This can hardly be called cause and effect; much else has been happening. All the same, it is suggestive, with huge new cash calls to come for Telecom itself, for British Aerospace, and later for British Gas, probably for British Airways, for more EP, and other lesser issues. For the markets, this is all of a different order of magnitude from the privatisation of the past, where most of the "special sales of assets," as they are officially classified, were council house sale.

Persuasive

In addition, the markets may before long begin discounting the possibility of a hung parliament, or even a Labour victory, between now and 1988. Indeed, the Government's new haste suggests that Mr Thatcher may secretly harbour the same doubts. The response is not likely to be dramatic. Mr King-moore is nowadays almost as nothing as Mrs Thatcher is trying to be at Question Time; but the political factor may cloud the outlook for gilts just as the cash calls act as a brake on equities.

All this may seem to support the backbench contention that the Government might, to put it tactfully, find more persuasive ways to run for a third term. However, the outside must always remember that the details of policies matter infinitely more to politicians than they do to voters. Electors look for results. It is fashionable at the moment to argue that they are judging the Government almost entirely by the unemployment numbers—which is odd because they have shown little signs of voting for job promises before. Perhaps, more simply, they are judging by inflation as they experience it—how far their money goes.

Here the key is interest rates. The rise in mortgage rates in recent months has been so steep that the average borrower has suffered quite a noticeable fall in standard of living. Here there is every reason for worried Conservatives to relax. The U.S. is beginning, though slowly, to tackle its deficit; a measure of tax reform would be still more helpful. The inexplicable money figures this month are so obviously distorted that some reversal can be forecast with confidence. And as rates come down, judgments of Mrs Thatcher's policies—and even her voice are likely to become kinder.

£180m CANADIAN BID

BT aims for the world stage

By Jason Crisp

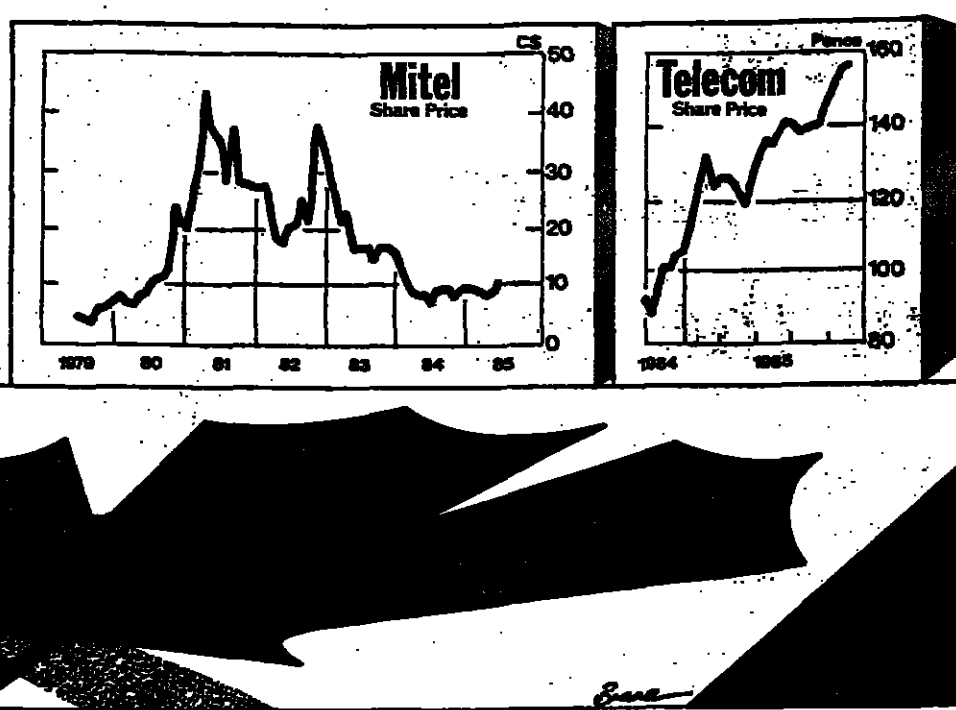
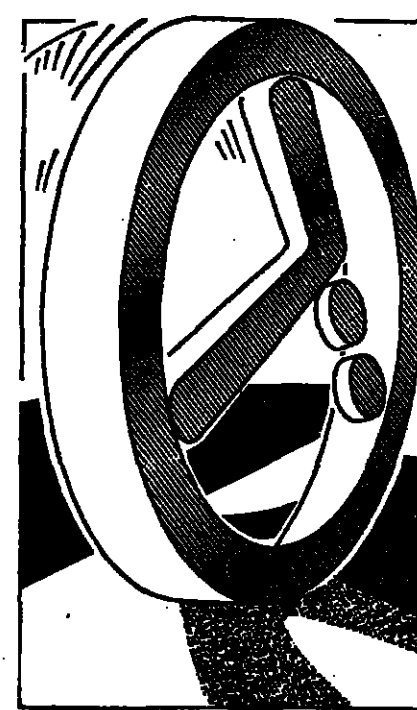
BARELY six months after privatisation British Telecom yesterday made its first major foray into the international arena. But its £180m bid for a 51 per cent stake in Mitel of Canada takes it into treacherous and difficult waters.

"It's a very aggressive move. There is absolutely no doubt British Telecom is going hell for leather for the North American market," says one analyst. BT has certainly made no secret of its impatience to extend its activities beyond Britain's shores and participate in the increasingly international business of telecommunications and information technology.

The purchase of Mitel—a leading supplier of private telephone exchanges (PABXs)—takes BT in two important new directions. First it gives it a substantial presence in the U.S., the world's largest, fastest-growing and most competitive telecommunications market. Second, it takes BT into large-scale manufacturing for the first time as Mitel has plants in Canada, the U.S., UK, Hong Kong, Germany, Mexico and New Zealand.

This move into manufacturing was causing considerable alarm yesterday among Britain's traditional telecommunications suppliers, such as Plessey, GEC Telecommunications and STC. BT has long been their most important customer and they have already lost some business in public exchanges as a result of BT's willingness to buy from overseas. Now they fear BT will inevitably buy more of its PABXs from Mitel. That would be particularly bad news for Plessey—whose share price dropped sharply on the news.

But BT's move also raises some major questions. Should it launch itself into the U.S. by entering the fiercely competitive equipment market? Is it wise to bid for a company which has been in such serious difficulties in the last three years? BT, after all, has absolutely no management experience in the



problems of turning round companies in manufacturing on this scale, let alone in the North American market.

BT says that the purchase is a natural part of its strategy to become an international competitor in so-called information industries like office automation—the product of the growing convergence between telecommunications and data processing.

BT's argument goes like this. The distinction between services provided in the telephone network and by customer equipment is blurring rapidly and it needs to be strong in both. It knows how to provide network services, but its position in the equipment market is much weaker as it currently only resells other companies' products. The PABX, says BT, will be at the core of office automation—and is thus the key to the equipment side of the business.

Mr John King, director of strategy at BT, says it looked for a successful competitor in

the North American market, first and foremost because of the level of innovation there. If BT is going to compete internationally, he argued, it must have the most advanced technology, and that is mostly being developed and marketed in the United States.

"We also need to increase our international business to compensate for the erosion of our core business at home where we will lose market share as a result of liberalisation," he adds.

The world markets for PABX equipment has been getting tougher, particularly in the U.S. where there is open competition. Mitel, which was one of the first companies to produce a low cost small analogue PABX, has seen its market share slip as more companies have entered its part of the market.

The leading competitors in the U.S. market include American Telephone and Telegraph, Northern Telecom of Canada,

Roim, Harris, TIE Communications and several Japanese companies led by NEC.

BT concedes that Mitel—one of the world's largest makers of small PABXs—was virtually the only remaining independent company which it could buy with a successful record in the U.S. PABX market. Ironically, International Business Machines, the American computer giant, flirted briefly with Mitel two years ago and might have taken it over.

IBM—the undisputed leader in the new information industry—was particularly interested in Mitel's large and powerful digital exchange the SX2000 which would complement its own expertise in data processing. A joint technological and product development agreement with IBM marked the high-point for Mitel.

That link was broken off abruptly without official explanation and IBM immediately bought a stake in Roim, a highly successful Californian

PABX company, instead. Since then, IBM has taken over Roim. The failure of the link with IBM is thought to have been the result of Mitel's considerable problems in developing the SX2000 which has proved to be one of its biggest headaches. Several other companies, including Britain's GEC and Hewlett-Packard of the U.S., have shown interest in acquiring Mitel in the past.

BT acknowledges that it does not have the management experience to deal with Mitel's particular problems. After the formalities of the bid have been completed it expects to hire some new managers who will be recruited in the U.S.

"You should not assume that the Mitel management team is poor. It's a company which has been run by a couple of outstanding, energetic entrepreneurs which has run into the typical problems many fast-growing companies experience turning into a big business," says Mr King.

"Mitel is very good at development which we can support both financially and technically. You also cannot say they are bad at manufacturing as the company has a good track record of low-cost production of high quality equipment. There is much they can teach us about manufacturing."

The purchase of Mitel will clearly affect BT's future relationship with its existing suppliers. At present it supplies PABXs to the UK market which are made by Mitel itself, Plessey, GEC Telecommunications and TMC which is part of Philips.

Two of the smaller exchanges it sells were developed by its own research laboratories and given to traditional suppliers to manufacture. Any future BT developments will now be done by Mitel.

While there is still only limited competition in the British PABX market, BT is showing every sign that it will retain a very large share of it. In view of this, BT is most unlikely to restrict itself to Mitel's range and will continue to sell products made by other companies. But Mr King warns: "The British companies have to face up to the fact that they must offer competitive products."

The Mitel deal will be BT's third—and by far its most important—move into North America. Earlier this week it paid £320m for CGT of Toronto, which installs private communications networks. It also has a 49 per cent stake in Centel which markets BT's City Business System to market traders in the U.S.

Although BT is likely to take a while to digest Mitel, it is expected to make further acquisitions or establish joint ventures in the U.S. The next move is likely to be into the data-processing side of the information industry where it currently has virtually no presence.

"The step into PABXs is only the first in a series of incremental moves in becoming an information company rather than a telecommunications one," says Mr King.

MITEL: TECHNICAL FLAIR, BUT THE GLAMOUR HAS FADED

A CORPORATE helicopter used to ferry Terry Matthews and Michael Cowpland from Mitel's sprawling headquarters in suburban Ottawa to the cluster of company plants in Eastern Canada and the North-East U.S.

It is a sign of Mitel's severe problems that the helicopter has been sold and some of the plants mothballed. Mr Cowpland and Mr Matthews, the company's flamboyant founders, have disposed of substantial blocks of their shares and, although still chairman and president respectively, take a much less active role these days in Mitel—a name which supposedly originated as an abbreviation of Mike and

Terry's lawnmowers, their first business venture.

The last few years have been sobering ones for the company after a decade of heady growth which made it Canada's second largest manufacturer of telecommunications equipment (after Northern Telecom) and a favourite stock among North America's high tech analysts.

After boosting profits more than seven-fold between 1980 and 1982, Mitel has suffered losses of \$364m in the past two years. Its debt totals several hundred million dollars.

Despite its recent troubles, the company retains substantial strength. It has a 75 per

cent share of the world market for small PABXs of up to 130 lines, and a strong international presence, including plants in Puerto Rico, Hong Kong, West Germany, Mexico and New Zealand.

Recent orders have included a \$44m contract from the Zimbabwe Government for telephone switching equipment and earlier this year Mitel received approval from authorities in Australia to connect its communications work station to the public voice and data network.

Mitel posted its first quarterly profit in 15 months, in the three months ended February 22, but, as one Toronto securities analyst puts it: "The company has

dug a deep hole and has fallen in head first."

The immediate cause of the troubles was the high cost of developing the SX-2000 digital switch, Mitel's first venture into the market for large PABXs. Research and development spending shot up from \$55m in 1980 to \$365m, equal to more than one-fifth of total revenues, in fiscal 1984. After long delays SX-2000 deliveries began at the end of 1983.

Behind the SX-2000 debacle lay a management move suited to churning out ideas than controlling a substantial multi-national company. Mr George Gilmore, the former U.S. army officer who was brought in from the manage-

ment consultancy McKinsey last year to tighten Mitel's financial and administrative organisation, said shortly after his appointment: "what we are trying to do is to bring a change of culture, which brings some management disciplines to build on to the company's entrepreneurial strength."

The latest financial results indicate that substantial progress has been made. Profits in the three months to February 22 were modest at \$64,000, but that is a vast improvement from the \$25.2m loss a year earlier.

Inventory levels have dropped by 20 per cent in the past year, and capital spending has been cut by two-

thirds. Over 130 SX-2000 machines have been shipped, most of them to Britain.

The injection of cash from British Telecom will enable Mitel to repay a large chunk of its debt and provide a base for future growth.

Stiff challenges still remain. Competition in many of the company's markets has intensified and Mitel expects to post a loss during the current quarter.

The company says that the favourable trend established in recent months should then continue. However, before the British Telecom deal, analysts thought that Mitel would be lucky to break even this year.

Bernard Simon
Toronto

Man in the News

SIR DENIS ROOKE:

Mighty baron of British Gas

By Sue Cameron



His reputation for bullying and for intrusiveness is legendary in all the energy industries and—more in—Whitehall. Which is perhaps a pity. Not because the reputation is undeserved. Quite the contrary. But because his boomer image tends to mask the real extent of his achievements.

Anyone with any knowledge of the gas industry recognises—albeit grudgingly in some cases—that Sir Denis is a great engineer. His first degree from London University was in mechanical engineering, but he later did a post-graduate diploma in chemical engineering. After army service in India he came back to a job in the gas industry. He says he always

intended to go into the chemical industry. But at the time he was newly married, he needed work—and he managed to negotiate what was then considered an excessively high rate of pay.

He went to the U.S. where a team of people were working on the technology that would enable liquefied natural gas (LNG) to be carried in ships for the first time. Sir Denis was sent merely as an observer. But, like any true pirate, he promptly took over.

One result of this single-minded success was that British Gas—then the Gas Council—was able to sign a contract for supplies of LNG from Algeria. But at the time, Britain's gas distribution networks were all separate from each other. Sir

Denis set about connecting them up. This was the basis of the later work he was to do in building the national grid after the discovery of the North Sea gas.

But before the discoveries in the North Sea, the gas industry went through a bad patch. Sir Denis played a key part in switching from relatively expensive coal to oil—then very cheap—as a base. Gas prices even dropped in some areas. And in the first half of the 1960s the gas industry captured the lion's share of the central heating market.

He reckons one of the main reasons he commands such loyalty from his staff is that every fitter knows Sir Denis could do his job. When the Government wanted to force

British Gas to sell off its showrooms, the workforce threatened to strike to stop it.

But what of the accusation—widely levelled—that he surrounds himself with senior managers who are yes-men?

"Well if you want to go in for that sort of thing," he says, "the aggression level rising almost visibly," you need look no further than Downing Street. Yet a few minutes later he says: "Maybe it's partly true. But I don't do it deliberately. And people who work with me have a much longer rein than in most industries."

Saying no to Sir Denis tends to be an explosive business—particularly for politicians and civil servants. There are stories of how he used to hold regular dinners for senior officials. The food was excellent, the wine was of the best but the weapons for the engagements were bludgeons, not rapiers. The more fastidious of the mandarins hated every moment.

There is a widespread view in Whitehall that if Sir Denis were a little more flexible, he might sometimes achieve more of his objectives with Government.

"I believe we were right to develop both our onshore and offshore oil interests—and we didn't even need their blood money to do it. Yes, we had to give 'em up but that," he says, "with a snort, 'as politics not rationality'."

He says he is neutral about whether BGC is owned privately or by the state. The key thing, for him, will be whether or not "they" get the regulatory framework right.

When not building great works or demolishing fragile egos, he devotes most of what spare time he has to the cause of science and education. He is a past chairman of the Council for National Academic Awards, a trustee of the Science Museum and Master of the Worshipful Company of Engineers which he helped to found.

More frivolous pursuits? He mentions music and opera, and mutters about "mowing my lawn. I'm not against the quality of life and they need to be off and play golf—the trouble with them is they never actually achieve things."



Foseco Minsep

Pre-tax profits up 67%
Earnings per share up 84%

Summary of Results

for year ended 31 December

	1984 £'000	1983 £'000
Sales	£479,726	£397,661
Profit before tax	£34,511	£20,624
Earnings per share	23.7p	12.9p
Dividend per share	82p	735p

- Record profits and earnings. Highest ever dividend of 82p net per share.
- Major expansion of the construction chemicals division in the United States through acquisition of The Gibson-Homans Company.
- Strong cash generation from trading activities, borrowings at 31 December 1984 are 48% of shareholders' funds after acquisition of Gibson-Homans for cash.
- Growth strategy continues to be based upon developing markets and products using Group's expertise in specialty chemicals and ultra-hard materials.
- Current activity levels are generally good.

Foseco Minsep plc, 285 Long Acre, Nenchells, Birmingham B7 5JR

Figure 1. The effect of the number of trials on the number of correct responses. The number of correct responses (Y-axis) is plotted against the number of trials (X-axis). The data points show a positive correlation, indicating that the number of correct responses increases as the number of trials increases.

UK COMPANY NEWS

Thomas Warrington hit by competition

EVERE COMPETITION in the contracting industry together with increased interest charges have caused pre-tax profits of Thomas Warrington & Sons to drop from £391,000 to £1,000 in 1984. The final dividend is cut from 4.41p to 2.25p not far from a total of 4p, against 6.16p.

The company's main area of operations in contracting is in and around Merseyside and the north points out that too many contractors are chasing what little work is available, resulting in "such narrow margins that it is difficult to make an adequate profit."

It was found necessary at the year end to provide for known and anticipated losses on certain contracts and full provision as been made in the accounts. However, the company hopes there will be some reduction in these figures when final accounts are agreed.

Turnover for the year rose from £12.19m to £13.34m. Tax at £27,000 (£150,000) and there are also extraordinary debits of £66,000 (£77,000) representing provision for redundancy costs, total loss per 25p share were 86p (8.02p earnings). Comparisons are restated.

The company has taken steps to reduce overheads and continues to review all areas of operations.

It is pressing ahead with the private development programme and taking steps to increase activities in other parts of the country which are less depressed than the company's main trading area.

Private development produced satisfactory results despite lower than expected sales towards the year-end which, combined with increased activity and the purchase of land, produced an increase in bank borrowings compared with the year earlier. However, borrowings have now been substantially reduced.

The company's subsidiary, J. Wilson, completed its first full year's trading since acquisition with good results, reflecting the fact that it faces less harsh trading conditions than those prevailing in Merseyside.

Accounting policy with respect to sales of private houses was changed during the year. Sales are now recognised if legal completion takes place prior to year-end. The directors consider the new policy more consistent with general industry practice and it gives a fairer presentation of the results and financial position. Prior year companies have accordingly been restated.

U.S. institutions backing Electra's call for £32m

BY MARTIN DICKSON

Electra Investment Trust plans to raise \$40m (£32m) of investment capital through an issue of promissory notes, with share warrants attached, which will be taken up by three large U.S. institutions.

General Electric Pension Fund, Travelers Insurance and United States Steel & Carnegie Pension Fund, have agreed to subscribe at par for \$40m of 9 per cent promissory notes due 1992.

These have attached warrants to subscribe at any time over the next seven years for 20m shares in Electra—an increase of 13.5 per cent in the existing share capital. The deal needs shareholders' approval.

Electra, noted for the large proportion of its funds invested in unlisted businesses, intends to use the money to reinforce its shift of emphasis from smaller deals in the unquoted sector to

larger ones. Its backing of a proposed management buy-out at Hadson, the engineering company facing a hostile bid from Trafalgar House, is an example of this move to larger transactions.

The rate of interest on the notes is well below prevailing market rates, and Electra says the method of financing will enable it to make equity linked investments at a running yield in excess of borrowing costs, which it would be unable to achieve through more conventional methods of funding.

The warrants which enable it to achieve this low cost borrowing can be exercised at the lower of 175p or 5p above the net asset value per share to be published next month in Electra's accounts for the year to March 31.

Electra, whose shares closed last night at 127p, up 7p on the day, estimates that its net asset

value per share on March 31 was approximately 165p a share—a rise of 24.8 per cent on the year, compared to 17.6 per cent for the FT All-share index.

The warrants—which may be exercised by tendering either sterling or notes at the rate of £1.233 to the pound—will therefore have an immediate diluting effect on Electra's existing shareholders and represent a substantial premium over the current share price.

Mr Michael Stoddard, Electra's chief executive, said involvement with such leading U.S. institutions should help enhance the trust's involvement in American investment. The institutions would also be a useful "sounding board" for its investment in unlisted U.S. companies.

Since April last year five of Electra's unlisted investments have obtained quotes in the UK and U.S.

Liberty surges by 81% to £2.6m

Liberty, the retailer, merchant converter and wholesaler, yesterday reported a 81 per cent increase in profits for the 1984-85 year and the board is confident of a further improvement in the current 12 months.

The taxable result to February 2, rose from £1.43m to £2.6m on turnover ahead by £9.55m to £46.54m, excluding VAT.

UK retailing operations and wholesaling accounted for most of the profits improvement, while losses were reduced in the U.S. and printing operations turned round to the black.

"We have had another successful year in our Regent Street store and our Dutch and American retail operations both traded at a much improved level," says Mr H. Weblin, the chairman.

He says that group results for the first two months of the current year have improved and that the wholesale order book shows a volume increase.

Liberty, which has close company status, is listing the first dividend of 3.5p to 5.2p for a higher total payout of 6.4p against 4.5p.

Earnings per share, excluding extraordinary credits of £267,000 (£253,000), were nearly doubled from 10.74p to 20.27p—tax took £1.26m (£704,000).

Leisure side cuts Cass Group profits

Losses incurred in its leisure division have reduced the pre-tax result for 1984 at Cass Group from £1.1m to \$966,117.

Despite this, the directors are recommending an increase in the dividend total to 4.75p (4.25p) per 10p share, with a higher 3.4p (3p) final, and Mr E. V. Cass, the chairman, says he looks forward with confidence.

Cass, which has its shares traded on the USM, is involved in the manufacture of paging equipment, and operates retail and mail order outlets for art.

Turnover for the year improved by £2.32m to £9.54m and the chairman says that in the telecommunications division 1985 has started with a substantial increase in incoming orders.

Telecommunications, leasing and finance added an increased £1.06m to profits, against £977,587, despite the sizeable investment in the start-up costs of the new Mitel PABX business.

The chairman says that as he indicated in last year's statement, the marketing of the Mitel range of approved small and medium-sized PABX's is now well under way. Both the sales and engineering department required a significant increase in staff to deal with the expanded product range.

In the leisure division, profits of £122,092 turned into losses of £90,343, but remedial action is being taken to correct this, the chairman says. All areas of this division's operations are being reviewed.

He adds that the group's balance sheet remains strong with a net cash balance.

Hadson profits fall to £0.4m as Britoil waits

Hadson Petroleum International, which last month concluded negotiations with Britoil to sell all of its UK oil and gas assets, subject to shareholders' approval, has announced a fall in pre-tax profits for 1984 from £686,000 to £412,000.

There is still no dividend for holders of this USM stock. Income for the year comprised largely of interest received on the group's cash and investment, and in addition the group recorded an exchange gain of £869,000 on the sterling equivalent of its dollar deposits.

The profit on ordinary activities was after a write-off of £738,000 for exploration costs, administration and overhead costs.

Earnings from test oil production from the group's UK onshore oil interests are applied against the capitalised exploration cost pool and are not recorded as a separate item.

The directors say that they are continuing to review exploration opportunities and have targeted potential projects.

Altifund higher

Pre-tax revenue of Altifund increased from £528,000 to £604,000 for the year to March 31, 1985. The dividend per 25p income share is 8.6p (7.8p) net with a 6.1p final, while the distribution per capital share is 0.43p (0.39p) or a 3.05p final.

Net asset value per income share slipped from 51.13p to 50.53p, but the figure per capital share advanced to 583.53p (455.32p).

Travis & Arnold in £14m deal for Unilever offshoot

BY MARTIN DICKSON

Travis & Arnold, the Northamptonshire-based builders' merchant and timber importer, is buying fellow builders' merchant Kennedy's from Unilever for £14.1m.

Kennedy's operates from 15 branches in southern England—many of them in the south-west—and from four in Manchester. It also runs six garden centres, mainly in the south-east, and employs 650 people.

The deal is Travis's first major acquisition since 1978 and gives it a group of outlets geographically complementary to its own merchants, which are concentrated in the Midlands and south-east.

Kennedy's is part of Unilever's subsidiary UAC International, which has begun disposing of "non-core" activities following a major review of its operations.

Travis is paying £3.93m for Kennedy's share capital, together with repayment of £10.22m of Unilever inter-company debt. It will be meeting the cost of the deal almost entirely from its cash balances.

Travis said the product ranges stocked by the two companies were complementary and would lead to improved purchasing opportunities for the combined group. It hopes to improve Kennedy's net margins.

It added that the garden centres—a business new to Travis—were profitable and were in a sector with good growth prospects. Kennedy's assets had a net book value of £15.67m last December, after adding back inter-company indebtedness and a proposed final dividend which will be retained by Kennedy's.

Datron coming to the USM

Datron International, designer and manufacturer of electronic test and measurement equipment, is coming to the USM with a market value of £12.6m.

Stockbrokers, Simpson and Coates are placing 2.75m shares, equal to 22 per cent of the equity, at 54p to raise £2.74m before expenses. About half of the shares are being sold by directors with the rest representing new capital.

Datron was established in 1971 by chairman Mr Geoff Cannell and a technical director, John Pickering. The company is a specialist producer of digital multimeters and calibrators.

About 75 per cent of sales are abroad, with about half of those going to the U.S. and an increasing proportion to China, where the company has recently won a £3.5m contract.

Mr Cannell aims to increase turnover to £100m by 1990 by expanding into new areas of the test and measurement market and by making acquisitions particularly in the U.S.

At the placing price the shares are on a prospective multiple of 13.8p given forecast profits and an estimated 3 per cent tax charge. There will be no dividend for the year to June 1985, but a forecast dividend of 1p for 1986 makes the prospective yield 1.7 per cent.

Deals begin on May 20.

Reuters keeping watch on UPI

Reuters is keeping a close watch on developments at UPI, the U.S. newsagency which last week fled for protection from its creditors. Mr Glen Renfrew, Reuters managing director, said after the company's first annual meeting yesterday.

But any deal would have to bring both benefits to Reuters' position in the media markets and a good contribution to profits, he said. "Any action we take will be done very much with the interests of Reuters' bottom line in mind."

Sir Denis Hamilton, Reuters' retiring chairman, told the meeting that the group was continuing to prosper and that total sales so far in 1985 had been very good, despite unfavourable economic conditions in some parts of the world.

"Currency factors had an adverse effect on profits in the opening months of the year but on current indications should produce a modest benefit in the year as a whole," he commented. "It is shaping up as another year of very good revenue and profits growth for Reuters."

Reuters was now beginning to see the benefits of its heavy investment in North America though the company still had a long way to go in a potentially very rich market.

Yesterday's annual meeting was the first since Reuters went public in a £221m flotation on the London and New York stock markets last June. At the 1986 issue price Reuters' total equity was valued at £770m.

At yesterday's share price of 376p—a fall of 2p on the day—UPI's total equity, only a small part of which was offered to outside investors, is worth £147bn.

See UPI court move Page 11

AB Engineering £1.7m rights

BY LIONEL BARBER

Associated British Engineering (ABE) yesterday announced a rescue rights issue to raise £1.5m following losses of £1.73m and an extraordinary charge of £2.79m for the 12 months to March this year.

The one-for-15 rights issue, underwritten by Guinness Mahon, the UK merchant bank, involves issuing 1.68m, 8 per cent convertible preference shares of £1 at par. Sub-underwriting is in progress.

ABE's directors said yesterday that they were forecasting a pre-tax profit of not less than £250,000 for the six months ending September 30 this year.

No dividend will be paid however, after the latest results, though the directors said that they would review paying a dividend for the full financial year ending March 1986.

According to the terms of the rights issue, the existing 12p ordinary shares will be written down to a nominal value of 1p each and the share premium account will be cancelled.

Each new preference share will be convertible into 50 ordinary shares of 1p each in any of the years 1985 to 1992. The new shares will also carry the right to receive, in priority to the

existing preference shares and all other classes of shares, a fixed cumulative dividend of 8 per cent per annum.

Last December, ABE announced losses in all of its three operating divisions and a pre-tax deficit of £915,000. However, ABE said at the time it expected to break-even in the second half and return to profit in 1985.

Yesterday, Mr Ross Belch, ABE's chairman, said that "vigorous action" had been taken by the group and there was some improvement in its markets. This enabled ABE to forecast a return to profitability with confidence.

The final dividend is 2.79p making a total distribution of 3.79p against 3.20p. Stated earnings per share were up from 3.01p to 4.18p.

Taxable revenue amounted to £4,666 (£3,288) with unfranked income totalling £2,586 (£1,996) and franked income up at £3,86m.

Comcap, the IBM computer distributor and lessor, has agreed to pay Mr Benny Pedersen, managing director of one of its Danish subsidiaries, £2.66m in cash and shares under a share option scheme drawn up when the group went public last year.

Under the scheme, Mr Pedersen has exercised his right to sell all his shares in CMA Comcap, the main Danish subsidiary, in return for 838,614 ordinary Comcap shares, worth around £2.21m, and £460,000 in cash.

Comcap said yesterday that the price represented a multiple of 12 times the minority interest of Mr Pedersen. CMA Comcap's pre-tax profits last year, shares are being offered 80p, against 73p, in cash; and there is a 9p rise to 100p in cash for the 5.25 per cent shares.

The Al-Fayed-owned 55.4 per cent of the ordinary shares and will apply to compulsorily acquire the remainder.

For the 1984 year Molyneux Holdings doubled its pre-tax profits to £122,000 and is returning to the dividend list for the first time since 1979 with a payment of 1p net.

The "satisfactory" trend is continuing and a further rise in both profits and dividend is anticipated for 1985. Turnover for the past year rose to £1.81m (£1.38m) and the company manufactures equipment for the TV industry.

Joseph Holt, brewer and wine and spirit merchant, raised 1984 pre-tax profits from £2.43m to £2.94m and is lifting the final dividend to 11p for a 3p higher total of 14p net per 25p share. Turnover improved from £2.7m to £2.42m.

The group's properties have been revalued and the surplus of £4.93m has been added to revaluation reserve.

of £364,000 on turnover of £3.4m, and is forecasting profits of not less than £850,000 for the current year. In the first half it increased profits to £368,000 on sales of £3.4m.

Datron suffered three years of flat turnover and falling profits at the start of the 1980's after a decade of continuous growth. This reflected the effects of world recession combined with a moratorium on defence spending.

Datron's sales in the U.S. and heavy R & D expenditure on a new range of products.

Datron sells to blue chip companies to whom it says performance matters more than price. About 75 per cent of sales are abroad, with about half of those

going to the U.S. and an increasing proportion to China, where the company has recently won a £3.5m contract.

Mr Cannell aims to increase turnover to £100m by 1990 by expanding into new areas of the test and measurement market and by making acquisitions particularly in the U.S.

At the placing price the shares are on a prospective multiple of 13.8p given forecast profits and an estimated 3 per cent tax charge. There will be no dividend for the year to June 1985, but a forecast dividend of 1p for 1986 makes the prospective yield 1.7 per cent.

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* Equivalent after allowing for scrip issue. 1.0m capital increased by rights and/or acquisition issues. † USM stock. ‡ Unquoted stock.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total for last year
Altifund capital	0.31	July 12	0.27	0.43	0.38
Altifund income	6.1	July 12	5.3	8.6	7.8
Cass Group	3.4	July 9	2.8	4.75	4.25
English and Patel	5	July 29	4.75	6.4	6.25
Liberty	5.3	June 17	3.5	3.75	3.25
Scottish Northern	2.79	—	0.3	1.72	1.65
TK Technology	1.22	July 1	1.15	1.5	1.45
Warner Estate Int'l	6	July 2	5	16	15
Thomas Warrington	2.25	July 8	4.41	4	6.16

Dividends shown pence per share-net except where otherwise stated.

* Equivalent after allowing for scrip issue. 1.0m capital increased by rights and/or acquisition issues. † USM stock. ‡ Unquoted stock.

Glanfield dives into the red

BY LUCY KELLAWAY

Glanfield Lawrence, the North London-based motor dealer has announced a pre-tax loss of £200,000 for 1984, following a warning in January that it had incurred losses in the 1983 "significant discrepancy in the management accounts" of a subsidiary.

The company is now 83 per cent owned by Gregory Securities which gained control in February after a long and acrimonious takeover battle, which saw Glanfield successfully reduce its 1984 forecast from a £250,000 profit.

In accordance with January's warnings, Glanfield has also made an extraordinary loss of £216,000, made up of £115,000 spent fighting the Gregory bid, £81,000 expenses on a failed acquisition and £40,000 associated with the closure of the Lancaster dealership.

The results contain a £34,000 debit against errors in the 1985 accounts.

Investigations into the accounting errors and into other matters "outside accounting procedures" have not yet been completed, but Mr Jim Gregory, chairman of Gregory Securities, is "98 per cent sure" that the preliminary figures will not need further adjustments.

Mr Gregory said that Glanfield was in a "complete mess" but added that "we have all the signs that things are going properly again." A small profit was made in the first quarter this year.

In 1984 turnover rose to £19.37m (£18.62m). Interest charges were £334,000 (£308,000), there was a tax credit of £146,000 (debit £3,000).

The loss per share after preference dividends was 1.4p, compared to earnings of 4.9p in 1983.

The shares closed 5p lower on the day at 45p.

made an extraordinary loss of £216,000, made up of £115,000 spent fighting the Gregory bid, £81,000 expenses on a failed acquisition and £40,000 associated with the closure of the Lancaster dealership.

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In accordance with January's warnings, Glanfield has also

English and International improvement

Net asset value per 25p share of English and International Trust increased from 288p to 318p in the year to April 5, 1985.

The figures have been calculated after deducting the debenture stock and preferred shares at their nominal values.

Earnings per share advanced from 6.35p to 7.06p and the final dividend is higher at 5p for a total of 7p (6.25p) net. A one-for-one scrip issue is also proposed. Gross income climbed from £1.42m to £1.57m. Dividends and interest totalled £1.54m (£1.12m).

BAe shares reach 418p as offer is oversubscribed

BY STEFAN WAGSTYL

THE OFFER for sale of 146.8m shares in British Aerospace has been "comfortably" oversubscribed, according to Kleinwort Benson and Lazard Brothers, the merchant banks handling the issue.

The level of oversubscription and the basis on which shares are to be allocated are to be announced on Monday to the House of Commons and to the Stock Exchange.

About 24 per cent of the shares on offer at 375p each

were available to the public—the rest were reserved for institutions (55 per cent). BAE shareholders and employees, subscribed according to Kleinwort Benson and Lazard Brothers, the merchant banks handling the issue

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IN 7 DAYS

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<div>Midland Bank Group U.K. Mgrs. Ltd. Cardwell House, Silver St, Mid., Sheffield, S1 3RD. Tel: 0742 79842</div> <table><tr><td>Capital</td><td>£5.1</td><td>69.4</td><td>-0.1</td><td>2.96</td></tr><tr><td>(Adj. Units)</td><td>25.8</td><td>91.3</td><td>-0.2</td><td>2.96</td></tr><tr><td>Accounting & Gov.</td><td>120.125</td><td>120.125</td><td>-0.2</td><td>2.70</td></tr><tr><td>Extra High Tot.</td><td>120.125</td><td>120.125</td><td>-0.2</td><td>2.70</td></tr><tr><td>Account Units</td><td>25.8</td><td>91.3</td><td>-0.2</td><td>2.96</td></tr><tr><td>G&P Prof. Inc.</td><td>25.0</td><td>91.3</td><td>-0.2</td><td>2.96</td></tr><tr><td>Account Units</td><td>25.8</td><td>91.3</td><td>-0.2</td><td>2.96</td></tr><tr><td>High Yield</td><td>120.125</td><td>120.125</td><td>-0.2</td><td>2.70</td></tr><tr><td>Income</td><td>25.8</td><td>91.3</td><td>-0.2</td><td>2.96</td></tr><tr><td>Account Units</td><td>25.8</td><td>91.3</td><td>-0.2</td><td>2.96</td></tr><tr><td>Income & Gov.</td><td>120.125</td><td>120.125</td><td>-0.2</td><td>2.70</td></tr><tr><td>Account Units</td><td>25.8</td><td>91.3</td><td>-0.2</td><td>2.96</td></tr><tr><td>North America</td><td>25.8</td><td>91.3</td><td>-0.2</td><td>2.96</td></tr><tr><td>Account Units</td><td>25.8</td><td>91.3</td><td>-0.2</td><td>2.96</td></tr><tr><td>Overseas Growth</td><td>25.8</td><td>91.3</td><td>-0.2</td><td>2.96</td></tr><tr><td>Account Units</td><td>25.8</td><td>91.3</td><td>-0.2</td><td>2.96</td></tr><tr><td>Smaller Cos.</td><td>25.8</td><td>91.3</td><td>-0.2</td><td>2.96</td></tr><tr><td>Account Units</td><td>25.8</td><td>91.3</td><td>-0.2</td><td>2.96</td></tr></table>	Capital	£5.1	69.4	-0.1	2.96	(Adj. 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Dis. 1</td><td>120.125</td><td>120.125</td><td>-1.10</td></tr><tr><td>Fixed Inc. Dis. 2</td><td>120.125</td><td>120.125</td><td>-1.10</td></tr></table> <p>Printed on May 1, Next closing June 12 Previous on May 1, Next closing June 12</p> <div>TSB Trust Trusts (b) (c) (y) PO Box 3, Tower Hill, Andover, Hants, SP10 1PG 0264 62185. Desktop to 0264 63422-3</div> <table><tr><td>TSB American</td><td>25.8</td><td>91.3</td><td>-0.2</td><td>2.96</td></tr><tr><td>TSB Canada</td><td>25.8</td><td>91.3</td><td>-0.2</td><td>2.96</td></tr><tr><td>TSB Europe</td><td>25.8</td><td>91.3</td><td>-0.2</td><td>2.96</td></tr><tr><td>TSB Japan</td><td>25.8</td><td>91.3</td><td>-0.2</td><td>2.96</td></tr><tr><td>TSB UK</td><td>25.8</td><td>91.3</td><td>-0.2</td><td>2.96</td></tr><tr><td>TSB USA</td><td>25.8</td><td>91.3</td><td>-0.2</td><td>2.96</td></tr></table>	Swiss Life Pen. Tr. Mgr. Co. Ltd.(c)(y)	0773 62042	Equity Dis.	218.5	218.5	-1.38	Equity Dis. (Adj.)	218.5	218.5	-1.38	Fixed Inc. 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(a) 363, High Street, Glasgow, G3 7BH 041 222 5521</div> <table><tr><td>Murray American</td><td>100.8</td><td>107.8</td><td>-5.53</td></tr><tr><td>Murray Canada</td><td>100.8</td><td>107.8</td><td>-5.53</td></tr><tr><td>Murray Europe</td><td>100.8</td><td>107.8</td><td>-5.53</td></tr><tr><td>Murray Japan</td><td>100.8</td><td>107.8</td><td>-5.53</td></tr><tr><td>Murray UK</td><td>100.8</td><td>107.8</td><td>-5.53</td></tr><tr><td>Murray USA</td><td>100.8</td><td>107.8</td><td>-5.53</td></tr></table>	Murray American	100.8	107.8	-5.53	Murray Canada	100.8	107.8	-5.53	Murray Europe	100.8	107.8	-5.53	Murray Japan	100.8	107.8	-5.53	Murray UK	100.8	107.8	-5.53	Murray USA	100.8	107.8	-5.53	<div>National Provincial Inv Mgrs Ltd 48, Grosvenor St., EC2A 3PU 0432 4200</div> <table><tr><td>NPI Govt Inv Tr.</td><td>160.3</td><td>171.12</td><td>-3.20</td></tr><tr><td>(Adj. 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هكذا من الأصول

[illegible]



BRITISH FUNDS

1985	High	Low	Stock	Price	+/-	%	YTD
"Shorts" (Lives up to Five Years)							
1001	97	97	1001	12.22			
1002	97	97	1002	12.22			
1003	97	97	1003	12.22			
1004	97	97	1004	12.22			
1005	97	97	1005	12.22			
1006	97	97	1006	12.22			
1007	97	97	1007	12.22			
1008	97	97	1008	12.22			
1009	97	97	1009	12.22			
1010	97	97	1010	12.22			
1011	97	97	1011	12.22			
1012	97	97	1012	12.22			
1013	97	97	1013	12.22			
1014	97	97	1014	12.22			
1015	97	97	1015	12.22			
1016	97	97	1016	12.22			
1017	97	97	1017	12.22			
1018	97	97	1018	12.22			
1019	97	97	1019	12.22			
1020	97	97	1020	12.22			
1021	97	97	1021	12.22			
1022	97	97	1022	12.22			
1023	97	97	1023	12.22			
1024	97	97	1024	12.22			
1025	97	97	1025	12.22			
1026	97	97	1026	12.22			
1027	97	97	1027	12.22			
1028	97	97	1028	12.22			
1029	97	97	1029	12.22			
1030	97	97	1030	12.22			
1031	97	97	1031	12.22			
1032	97	97	1032	12.22			
1033	97	97	1033	12.22			
1034	97	97	1034	12.22			
1035	97	97	1035	12.22			
1036	97	97	1036	12.22			
1037	97	97	1037	12.22			
1038	97	97	1038	12.22			
1039	97	97	1039	12.22			
1040	97	97	1040	12.22			
1041	97	97	1041	12.22			
1042	97	97	1042	12.22			
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1078	97	97	1078	12.22			
1079	97	97	1079	12.22			
1080	97	97	1080	12.22			
1081	97	97	1081	12.22			
1082	97	97	1082	12.22			
1083	97	97	1083	12.22			
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1100	97	97	1100	12.22			
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1102	97	97	1102	12.22			
1103	97	97	1103	12.22			
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1106	97	97	1106	12.22			
1107	97	97	1107	12.22			
1108	97	97	1108	12.22			
1109	97	97	1109	12.22			
1110	97	97	1110	12.22			
1111	97	97	1111	12.22			
1112	97	97	1112	12.22			
1113	97	97	1113	12.22			
1114	97	97	1114	12.22			
1115	97	97	1115	12.22			
1116	97	97	1116	12.22			
1117	97	97	1117	12.22			
1118	97	97	1118	12.22			
1119	97	97	1119	12.22			
1120	97	97	1120	12.22			
1121	97	97	1121	12.22			
1122	97	97	1122	12.22			
1123	97	97	1123	12.22			
1124	97	97	1124	12.22			
1125	97	97	1125	12.22			
1126	97	97	1126	12.22			
1127	97	97	1127	12.22			
1128	97	97	1128	12.22			
1129	97	97	1129	12.22			
1130	97	97	1130	12.22			
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1141	97	97	1141	12.22			
1142	97	97	1142	12.22			
1143	97	97	1143	12.22			
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1176	97	97	1176	12.22			
1177	97	97	1177	12.22			
1178	97	97	1178	12.22			
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1181	97	97	1181	12.22			
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1184	97	97	1184	12.22			
1185	97	97	1185	12.22			
1186	97	97	1186	12.22			
1187	97	97	1187	12.22			
1188	97	97	1188	12.22			
1189	97	97	1189	12.22			
1190	97	97	1190	12.22			
1191	97	97	1191	12.22			
1192	97	97	1192	12.22			
1193	97	97	1193	12.22			
1194	97	97	1194	12.22			
1195	97	97	1195	12.22			
1196	97	97	1196	12.22			
1197	97	97	1197	12.22			
1198	97	97	1198	12.22			
1199	97	97	1199	12.22			
1200	97	97	1200	12.22			

INDUSTRIALS—Continued

1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	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LEISURE—Continued[illegible]**PROPERTY—Continued**[illegible]

MENT TRUSTS—Cont.

Stock	Price	Chg	Vol	High	Low	Open	Close
Am. Can. Co.	255	+1	10,000	256	254	255	255
Am. Express	240	+1	10,000	241	239	240	240
Am. Int'l. Corp.	225	+1	10,000	226	224	225	225
Am. Oil & Gas	210	+1	10,000	211	209	210	210
Am. Sugar	200	+1	10,000	201	199	200	200
Am. Tobacco	190	+1	10,000	191	189	190	190
Am. Water	180	+1	10,000	181	179	180	180
Am. Wire	170	+1	10,000	171	169	170	170
Am. Zinc	160	+1	10,000	161	159	160	160
Am. Iron	150	+1	10,000	151	149	150	150
Am. Steel	140	+1	10,000	141	139	140	140
Am. Copper	130	+1	10,000	131	129	130	130
Am. Lead	120	+1	10,000	121	119	120	120
Am. Tin	110	+1	10,000	111	109	110	110
Am. Nickel	100	+1	10,000	101	99	100	100
Am. Aluminum	90	+1	10,000	91	89	90	90
Am. Magnesium	80	+1	10,000	81	79	80	80
Am. Zinc Oxide	70	+1	10,000	71	69	70	70
Am. Lead Oxide	60	+1	10,000	61	59	60	60
Am. Tin Oxide	50	+1	10,000	51	49	50	50
Am. Nickel Oxide	40	+1	10,000	41	39	40	40
Am. Aluminum Oxide	30	+1	10,000	31	29	30	30
Am. Magnesium Oxide	20	+1	10,000	21	19	20	20
Am. Zinc Sulfide	10	+1	10,000	11	9	10	10
Am. Lead Sulfide	9	+1	10,000	10	8	9	9
Am. Tin Sulfide	8	+1	10,000	9	7	8	8
Am. Nickel Sulfide	7	+1	10,000	8	6	7	7
Am. Aluminum Sulfide	6	+1	10,000	7	5	6	6
Am. Magnesium Sulfide	5	+1	10,000	6	4	5	5
Am. Zinc Chloride	4	+1	10,000	5	3	4	4
Am. Lead Chloride	3	+1	10,000	4	2	3	3
Am. Tin Chloride	2	+1	10,000	3	1	2	2
Am. Nickel Chloride	1	+1	10,000	2	0	1	1
Am. Aluminum Chloride	0	+1	10,000	1	0	0	0
Am. Magnesium Chloride	0	+1	10,000	1	0	0	0
Am. Zinc Nitrate	0	+1	10,000	1	0	0	0
Am. Lead Nitrate	0	+1	10,000	1	0	0	0
Am. Tin Nitrate	0	+1	10,000	1	0	0	0
Am. Nickel Nitrate	0	+1	10,000	1	0	0	0
Am. Aluminum Nitrate	0	+1	10,000	1	0	0	0
Am. Magnesium Nitrate	0	+1	10,000	1	0	0	0
Am. Zinc Sulfate	0	+1	10,000	1	0	0	0
Am. Lead Sulfate	0	+1	10,000	1	0	0	0
Am. Tin Sulfate	0	+1	10,000	1	0	0	0
Am. Nickel Sulfate	0	+1	10,000	1	0	0	0
Am. Aluminum Sulfate	0	+1	10,000	1	0	0	0
Am. Magnesium Sulfate	0	+1	10,000	1	0	0	0
Am. Zinc Phosphate	0	+1	10,000	1	0	0	0
Am. Lead Phosphate	0	+1	10,000	1	0	0	0
Am. Tin Phosphate	0	+1	10,000	1	0	0	0
Am. Nickel Phosphate	0	+1	10,000	1	0	0	0
Am. Aluminum Phosphate	0	+1	10,000	1	0	0	0
Am. Magnesium Phosphate	0	+1	10,000	1	0	0	0
Am. Zinc Silicate	0	+1	10,000	1	0	0	0
Am. Lead Silicate	0	+1	10,000	1	0	0	0
Am. Tin Silicate	0	+1	10,000	1	0	0	0
Am. Nickel Silicate	0	+1	10,000	1	0	0	0
Am. Aluminum Silicate	0	+1	10,000	1	0	0	0
Am. Magnesium Silicate	0	+1	10,000	1	0	0	0
Am. Zinc Borate	0	+1	10,000	1	0	0	0
Am. Lead Borate	0	+1	10,000	1	0	0	0
Am. Tin Borate	0	+1	10,000	1	0	0	0

AND GAS

[illegible]

continued

[illegible]

INSURANCES

692	545	Do. Allen Co. S100	878	811%	101	101	234
693	546	Do. Davis Co. DMS5	878	809%	101	101	234
694	547	Do. Davis Co. DMS5	878	809%	101	101	234
695	548	Do. Davis Co. DMS5	878	809%	101	101	234
696	549	Do. Davis Co. DMS5	878	809%	101	101	234
697	550	Do. Davis Co. DMS5	878	809%	101	101	234
698	551	Do. Davis Co. DMS5	878	809%	101	101	234
699	552	Do. Davis Co. DMS5	878	809%	101	101	234
700	553	Do. Davis Co. DMS5	878	809%	101	101	234
701	554	Do. Davis Co. DMS5	878	809%	101	101	234
702	555	Do. Davis Co. DMS5	878	809%	101	101	234
703	556	Do. Davis Co. DMS5	878	809%	101	101	234
704	557	Do. Davis Co. DMS5	878	809%	101	101	234
705	558	Do. Davis Co. DMS5	878	809%	101	101	234
706	559	Do. Davis Co. DMS5	878	809%	101	101	234
707	560	Do. Davis Co. DMS5	878	809%	101	101	234
708	561	Do. Davis Co. DMS5	878	809%	101	101	234
709	562	Do. Davis Co. DMS5	878	809%	101	101	234
710	563	Do. Davis Co. DMS5	878	809%	101	101	234
711	564	Do. Davis Co. DMS5	878	809%	101	101	234
712	565	Do. Davis Co. DMS5	878	809%	101	101	234
713	566	Do. Davis Co. DMS5	878	809%	101	101	234
714	567	Do. Davis Co. DMS5	878	809%	101	101	234
715	568	Do. Davis Co. DMS5	878	809%	101	101	234
716	569	Do. Davis Co. DMS5	878	809%	101	101	234
717	570	Do. Davis Co. DMS5	878	809%	101	101	234
718	571	Do. Davis Co. DMS5	878	809%	101	101	234
719	572	Do. Davis Co. DMS5	878	809%	101	101	234
720	573	Do. Davis Co. DMS5	878	809%	101	101	234
721	574	Do. Davis Co. DMS5	878	809%	101	101	234
722	575	Do. Davis Co. DMS5	878	809%	101	101	234
723	576	Do. Davis Co. DMS5	878	809%	101	101	234
724	577	Do. Davis Co. DMS5	878	809%	101	101	234
725	578	Do. Davis Co. DMS5	878	809%	101	101	234
726	579	Do. Davis Co. DMS5	878	809%	101	101	234
727	580	Do. Davis Co. DMS5	878	809%	101	101	234
728	581	Do. Davis Co. DMS5	878	809%	101	101	234
729	582	Do. Davis Co. DMS5	878	809%	101	101	234
730	583	Do. Davis Co. DMS5	878	809%	101	101	234
731	584	Do. Davis Co. DMS5	878	809%	101	101	234
732	585	Do. Davis Co. DMS5	878	809%	101	101	234
733	586	Do. Davis Co. DMS5	878	809%	101	101	234
734	587	Do. Davis Co. DMS5	878	809%	101	101	234
735	588	Do. Davis Co. DMS5	878	809%	101	101	234
736	589	Do. Davis Co. DMS5	878	809%	101	101	234
737	590	Do. Davis Co. DMS5	878	809%	101	101	234
738	591	Do. Davis Co. DMS5	878	809%	101	101	234
739	592	Do. Davis Co. DMS5	878	809%	101	101	234
740	593	Do. Davis Co. DMS5	878	809%	101	101	234
741	594	Do. Davis Co. DMS5	878	809%	101	101	234
742	595	Do. Davis Co. DMS5	878	809%	101	101	234
743	596	Do. Davis Co. DMS5	878	809%	101	101	234
744	597	Do. Davis Co. DMS5	878	809%	101	101	234
745	598	Do. Davis Co. DMS5	878	809%	101	101	234
746	599	Do. Davis Co. DMS5	878	809%	101	101	234
747	600	Do. Davis Co. DMS5	878	809%	101	101	234

LEISURE							
19	15	B&K M Hire 105	45	81	0.7	10	112
20	16	B&K TV Prod 105	45	81	5.97	10.7	112
21	17	Adrian Leisur 105	45	81	0.1	10	108
22	18	Adrian Leisur 105	45	81	0.1	10	108
23	19	Adrian Leisur 105	45	81	3.8	24	159
24	20	Adrian Leisur 105	45	81	3.8	24	159
25	21	Adrian Leisur 105	45	81	2.0	10	108
26	22	S&W W.A.T. 105	285	81	72	1.3	112
27	23	S&W W.A.T. 105	285	81	72	1.3	112
28	24	S&W W.A.T. 105	285	81	72	1.3	112
29	25	S&W W.A.T. 105	285	81	72	1.3	112
30	26	S&W W.A.T. 105	285	81	72	1.3	112
31	27	S&W W.A.T. 105	285	81	72	1.3	112
32	28	S&W W.A.T. 105	285	81	72	1.3	112
33	29	S&W W.A.T. 105	285	81	72	1.3	112
34	30	S&W W.A.T. 105	285	81	72	1.3	112
35	31	S&W W.A.T. 105	285	81	72	1.3	112
36	32	S&W W.A.T. 105	285	81	72	1.3	112
37	33	S&W W.A.T. 105	285	81	72	1.3	112
38	34	S&W W.A.T. 105	285	81	72	1.3	112
39	35	S&W W.A.T. 105	285	81	72	1.3	112
40	36	S&W W.A.T. 105	285	81	72	1.3	112
41	37	S&W W.A.T. 105	285	81	72	1.3	112
42	38	S&W W.A.T. 105	285	81	72	1.3	112
43	39	S&W W.A.T. 105	285	81	72	1.3	112
44	40	S&W W.A.T. 105	285	81	72	1.3	112
45	41	S&W W.A.T. 105	285	81	72	1.3	112
46	42	S&W W.A.T. 105	285	81	72	1.3	112
47	43	S&W W.A.T. 105	285	81	72	1.3	112
48	44	S&W W.A.T. 105	285	81	72	1.3	112
49	45	S&W W.A.T. 105	285	81	72	1.3	112
50	46	S&W W.A.T. 105	285	81	72	1.3	112
51	47	S&W W.A.T. 105	285	81	72	1.3	112
52	48	S&W W.A.T. 105	285	81	72	1.3	112
53	49	S&W W.A.T. 105	285	81	72	1.3	112
54	50	S&W W.A.T. 105	285	81	72	1.3	112
55	51	S&W W.A.T. 105	285	81	72	1.3	112
56	52	S&W W.A.T. 105	285	81	72	1.3	112
57	53	S&W W.A.T. 105	285	81	72	1.3	112
58	54	S&W W.A.T. 105	285	81	72	1.3	112
59	55	S&W W.A.T. 105	285	81	72	1.3	112
60	56	S&W W.A.T. 105	285	81	72	1.3	112
61	57	S&W W.A.T. 105	285	81	72	1.3	112
62	58	S&W W.A.T. 105	285	81	72	1.3	112
63	59	S&W W.A.T. 105	285	81	72	1.3	112
64	60	S&W W.A.T. 105	285	81	72	1.3	112
65	61	S&W W.A.T. 105	285	81	72	1.3	112
66	62	S&W W.A.T. 105	285	81	72	1.3	112
67	63	S&W W.A.T. 105	285	81	72	1.3	112
68	64	S&W W.A.T. 105	285	81	72	1.3	112
69	65	S&W W.A.T. 105	285	81	72	1.3	112
70	66	S&W W.A.T. 105	285	81	72	1.3	112
71	67	S&W W.A.T. 105	285	81	72	1.3	112
72	68	S&W W.A.T. 105	285	81	72	1.3	112
73	69	S&W W.A.T. 105	285	81	72	1.3	112
74	70	S&W W.A.T. 105	285	81	72	1.3	112
75	71	S&W W.A.T. 105	285	81	72	1.3	112
76	72	S&W W.A.T. 105	285	81	72	1.3	112
77	73	S&W W.A.T. 105	285	81	72	1.3	112
78	74	S&W W.A.T. 105	285	81	72	1.3	112
79	75	S&W W.A.T. 105	285	81	72	1.3	112
80	76	S&W W.A.T. 105	285	81	72	1.3	112
81	77	S&W W.A.T. 105	285	81	72	1.3	112
82	78	S&W W.A.T. 105	285	81	72	1.3	112
83	79	S&W W.A.T. 105	285	81	72	1.3	112
84	80	S&W W.A.T. 105	285	81	72	1.3	112
85	81	S&W W.A.T. 105	285	81	72	1.3	112
86	82	S&W W.A.T. 105	285	81	72	1.3	112
87	83	S&W W.A.T. 105	285	81	72	1.3	112
88	84	S&W W.A.T. 105	285	81	72	1.3	112
89	85	S&W W.A.T. 105	285	81	72	1.3	112
90	86	S&W W.A.T. 105	285	81	72	1.3	112
91	87	S&W W.A.T. 105	285	81	72	1.3	112
92	88	S&W W.A.T. 105	285	81	72	1.3	112
93	89	S&W W.A.T. 105	285	81	72	1.3	112
94	90	S&W W.A.T. 105	285	81	72	1.3	112
95	91	S&W W.A.T. 105	285	81	72	1.3	112
96	92	S&W W.A.T. 105	285	81	72	1.3	112
97	93	S&W W.A.T. 105	285	81	72	1.3	112
98	94	S&W W.A.T. 105	285	81	72	1.3	112
99	95	S&W W.A.T. 105	285	81	72	1.3	112
100	96	S&W W.A.T. 105	285	81	72	1.3	112

Stairtown Eves 5p	76	-2	1.72	3.2	3.2
Boxer (C. H.) 10p	406		↑10.5	3.5	3.7

[illegible]

Trust	637	+2	17.25	1.0	3.9
Inc	63		8.6	0	17.7
Unit	820		2.57	0	0.1

[illegible]

7.20p	95	3	—	—	—	11.4
	245		2.8	6.6	1.6	10.6
7.30p	105		4.85	8	6.6	8

[illegible]

	190	-	-	-	-	Earnings
	\$867	+3	10200	31	61	y Credits
	205	-	370	A	31	market

[illegible]

and cover in excess of 100 trees.

[illegible]

MARKETS

MARKET HIGHLIGHTS OF THE WEEK

	Price	Change	1985	1985	
	Y'day	on week	High	Low	
F.T. Ind. Index	1,001.9	+12.0	1,024.5	928.7	Maintains firmness ahead of BAE issue
Barclays Bank	155	-30	215	145	Sharply lower interim profits
British Telecom	157	+9	157	103	Institutional demand/Mitel stake
Burmah Oil	256	+18	258	200	Persistent bid rumours
Car. (John) (Doncaster)	84	+21	86	50	Merger discussions
Charter Consolidated	205	+23	208	180	Sudden emergence of U.S. buying
Debenhams	317	+30	319	188	Persistent takeover speculation
Falcon Resources	370	-40	522	198	Profit-taking after recent strength
Hillside	412	+42	412	322	Persistent takeover speculation
Midland	301	+44	310	242	Speculative bid hopes

LONDON

The market holds its breath

There is no disguising that the market has been very flat week with the market apparently content to hold its breath a point below the 1,000. All share index all time high of 830.94 reached last Friday.

In this consumer led market it is spending power that are taken supporting rising share prices. Hence the news that the widest measure of money and credit has leapt by its highest amount in 5 years cannot be even a wobble. More credit is good news for companies.

Such a response to what an economist would see as bad news is enabling the market to stay in a firm mood and to look on the bright side of almost any contemporary developments.

One such has been oil prices. For on the spot market North Sea's Brent blend has now slipped \$1.50 since this time last month—in the middle of this week it fell (only to recover) by 40 cents on one day alone.

Rather perversely perhaps the investors do not seem to be worried over oil prices; they may even welcome a weakening of the pound against European currencies as good for exports and profits—and certainly have little time for the crocodile tears of the oil majors and producers.

Analysts seem to think that the economic outlook is less rosy, with even the U.S. administration admitting that its growth targets will not be met this year, yet the equity market does not want to know. Almost out of spite, brokers are beginning to turn bearish; it is a loss-whether the investors are just resisting the inevitable, or know something that the City experts don't.

We all seem to have plenty of money to spend these days, however it is measured, or at least enough to keep the cash tills at the stores purring strongly. Shop sales have been rising by twice the rate of inflation for two years—much as if people expected an imminent return of high rates of inflation.

Naturally enough this has been reflected in a return to favour of retailing shares. And for some time the stores have been leading the market with the most favoured stocks being among those making highly visible inroads on the high street fashion scene or alternatively those tipped as possible

takeover targets. British Home Stores and Marks and Spencer fit into neither of these glamour categories although both have turned in more than workmanlike profit increases in the past week.

For a giant the size of Marks—almost twice as big as the sectors number two, Great Universal, in market worth—the problem has to be how to achieve a growth rate that will measure up to the performances of its smaller brethren.

The answer has been to install at the top the first non-family boss and to try to introduce some of the marketing and merchandising techniques by allowing individual executives a freer hand.

This no doubt fits closely with plans to spend £500m over the next two years on expanding and redesigning the selling area of the chain—a remarkable break with tradition that based itself on a slow but steady 3 per cent a year rate of growth in the past.

Yet the market still seems unsure how to rate what Marks is doing. The success of the "Next" chain in women's fashionwear and the aggression of Burtons in mens, are often taken as points of Marks' own performance—almost as if because someone else does well in a narrow part of the clothing market then somehow the major must be failing.

Further with more than 2,600m shares issued it would take an avalanche of dealing to shift the Marks' share price very much. As long as stores are a "hold" or a buy then everyone will have some Marks in their portfolio but the investor will be doing this for security's sake and looking for gains elsewhere.

Hence the message of the brokers—hold or buy on weakness—is likely to remain. Marks will never drop like a stone or rise like a bird, they argue, a safe (if unexciting) port in a storm.

Such a passive attitude could be underestimating the size of the changes being made. Even a fraction of a percentage point fall in costs will come sharply through below the line as most of the expansion costs will be covered from cash flow (thus preventing any more than a marginal rise in debt).

The position at BHS is very different. For years the group has been under a dowdy downward market image but, with a new management and new activities being taken on board, the group's shareholders have yet to see the results of the re-fit.

The new look BHS has its own refurbishment scheme—carrying the suitably more modest price tag of £60m a year—but can expect to suffer more from the competition of other retailers, whether the born again Woolworths or the rising stars of the High Street clothing

business. For the investor the attraction of BHS has to be the potential for the share price to rise towards the sector average if the market continues to view its recovery favourably and therefore allows the re-rating process to go on. What is being looked for is solid evidence that BHS is getting its trading margins into the 10 to 12 per cent range achieved by Marks and expected from a successful chain store operation—a target which requires BHS to lift its margins by a tenth or so.

Sentiment on both stocks is key to their short term performance. BHS is seen as going places—admittedly from a low base but this has its positive side. Marks can all too readily be passed over as appearing to be standing still simply because it has to work very hard indeed before anyone believes that a real movement has taken place.

European Ferries is in the throes of an extensive re-fit, and while the decks are being cleared of some old operations and new activities are being taken on board, the group's shareholders have yet to see the results of the re-fit.

They may not have to wait too long. For although pre-tax profits for 1984, announced on Wednesday, were a shade lower than 1983 at £44.7m, there are strong signs that 1985, and particularly 1986, should be much better years.

In shipping, which made mini-

mal progress to £17.5m last year in the face of tough price competition, the group should secure much better margins following the acquisition in January of P & O's ferries.

In property, exchanging most of the UK portfolio for a large stake in the developers brings in some very experienced stock market managers to take care of Euroferries' properties.

It also gives Euroferries a share of Stockley Park, a business park similar to the one in Denver—the core of Euroferries' successful U.S. property interests which last year brought in £4.6m.

The group is also setting about expanding its harbours at Felixstowe and Larne which are both operating at full capacity, bringing in £9.9m profit last year.

Clearly there are costs to be borne—£50m to be spent on ships, £45m at Felixstowe—investments far outweighing the sale of Singer and Friedlander and adding substantially to interest payments. Euroferries is still struggling, moreover, to cope with its awkward handicap, the La Manga golf club in Spain—where it lost £4.3m at the 19th hole last year.

Nevertheless, the group seems set to make £50m pre-tax this year and perhaps £60m the year after, making the shares good value at 145p on a multiple of under nine.

Terry Povey

UNLISTED SECURITIES MARKET

Investors in the tax maze

IF YOU own shares in a company, the tax treatment of your investment will often hinge on whether or not the company is quoted on the Stock Exchange. Although the tax system distinguishes clearly between fully-quoted and completely unquoted shareholdings, it has yet to come to terms with the halfway house of the Unlisted Securities Market. For some purposes USM shares are treated as if they were quoted and for others as if they were not. No particular pattern has yet emerged and this creates a

confusing situation for USM investors.

The confusion is especially evident in the area of tax incentives to invest in up-and-coming companies. Unquoted private companies are eligible for relief under all the various schemes while fully quoted companies are not. USM companies fall on different sides of the line at different times.

The Government's first incentive measure was to allow an investor who made a loss as a result of subscribing for shares in a company to set the loss against income rather than capital gains. This concession applies to losses incurred on USM shares but not on fully quoted shares.

The Government then went a stage further by offering an immediate income tax allowance for investments in certain

"qualifying companies." This was done at first under the Business Start Up Scheme and later the Business Expansion Scheme.

USM companies are disqualified from relief under both schemes in just the same way as fully quoted companies. Indeed, an individual will retrospectively forfeit relief under the BES if the company in which he has invested joins the USM within three years of the date on which he subscribed.

Contrasting treatment of USM and fully quoted companies is also a feature of the rules governing interest relief on loans taken out by employees to acquire shares in their own companies. There are two alternative ways of obtaining relief.

The first is only available where the employee either occupies a management position in his company or else

owns at least 5 per cent of its shares. In addition, the company itself must be a "close" company for tax purposes, i.e. a company controlled by not more than five shareholders.

The question of whether a company is quoted, unquoted or USM has no direct bearing on the availability of this relief although, in the nature of things, virtually all unquoted companies are close, almost all fully quoted companies are not, and USM companies are more of a mixture.

The other route to relief is specifically for the benefit of employee-controlled companies. These are companies in which more than half of the shares are owned by full time employees, each owning no more than 10 per cent. It is only available to unquoted and USM companies.

At least two other tax laws favour USM companies while

another gives more scope to their fully quoted counterparts.

When a company buys in its own shares the payment to the vendor is normally treated as if it were a dividend. This means that the company has to deduct Advance Corporation Tax and the shareholder has to pay income tax on the amount he receives.

ACT and income tax can, however, be avoided—and replaced by capital gains tax—if the transaction satisfies the exemption conditions set by the 1982 Finance Act. One of the conditions is that the company should not be fully quoted. However, this is a problem only for quoted companies which buy in shares by private arrangement. Purchases in the market are anyway covered by a separate exemption.

USM shareholdings can also

be more economically passed on to one's heirs. For capital transfer tax purposes, the value of a gift or legacy is discounted by 50 per cent to the extent that it comprises shares in an unquoted or USM company.

There is no reduction at all for quoted shares unless the shares changing hands form part of a controlling interest.

Passing from tax law to Inland Revenue practice, the USM's second division status is underlined by a Revenue statement on share valuation guidelines. The Revenue says it automatically accepts the stock market price of a quoted share as an accurate indication of its worth. It makes no such concession for USM shares, saying only that the USM price will be accepted as evidence—no necessarily conclusive—of true market value.

David Cohen

RESULTS DUE NEXT WEEK

Weaker \$ improves margins

BRITISH PETROLEUM's first quarter results are expected to show the benefits of the weaker dollar and a good month of March for refinery margins and product prices.

The analysts are looking for a net income of £470m—strongly ahead from the previous quarter's £351m and even more in front of the £342m posted in the same period in 1984. For the full year net income at this level should keep the oil major on target for a record £1.4bn.

The performance of the refineries in January and February was poor with losses estimated to have been made at all of B.P.'s main European centres. With the weakening of the dollar, however, margins

begin to improve sharply in March, and are now at the most profitable levels seen for some time.

March also saw a rise in product prices for both gasoline and middle distillates throughout Europe.

The shares moved up earlier this year as a result of some heavy U.S. buying when the takeover market for oil majors—some as large as B.P.—was on the boil. Subsequently they have slipped back a little (though a yield of 8 per cent should support further improvement).

The cost of persuading Americans of the merits of Sunlight (fabric softener) and Unilever (dishwasher powder) will bear heavily on the 1985 first quarter results from Unilever, due on Monday.

The money the Anglo-Dutch group has spent winning market share in the U.S. from Procter and Gamble is likely to have held back growth. Meanwhile, in Europe Christmas sales of

cheap EEC butter will have hit margins.

Elsewhere, the picture should be brighter with useful advances expected in Brazil and in Africa, but with a weaker U.S. dollar currency gains could well be smaller than last year. Indeed, it might be that only a six-month initial contribution from Brooke Bond, acquired last October, bringing in perhaps £15m net, can allow Unilever to produce any advance at all on last year's £186m pre-tax.

The City is very undecided with estimates ranging from £185m to £235m, though even the most cautious analysts believe the group will make £1bn or more for the year.

The main problem that Sears will be faced with when it announces preliminary results on Tuesday will be to persuade the market to forget the exceptionally good results of 1983/84. Against that achievement an otherwise encouraging forecast for the year just ended (£168m exclusive of non-trading items) represents a mere 8 per cent increase.

The second half should have been considerably better than the first. British Shoe in particular should now be making up for the damage caused by "jellies" last summer's trendy cheap plastic shoe, although the U.S. shoe operation, Butlers,

is thought to have had another bad six months. Meanwhile, department stores and other retailing should have continued to show encouraging growth.

Forecasting a bookie's profits is always a gamble, but the City reckons some £8m is likely from William Hill after last year's winning £11m.

BOC's first quarter results were about £4m more than the City had been expecting. But all that and perhaps more will vanish when they are restated in the interim results due on Monday to take account of the level of exchange rates at the end of the first half.

Were it not for a decline in the U.S. and Australian currencies in the March quarter, first half profits could have been over £80m. As it is most analysts are forecasting about £75m pre-tax. Most of the group's businesses should remain strong, with industrial gases doing well across the world (with the possible exception of Australia) and health care continuing to show good growth.

The main trouble spot will once again be graphite electrodes, suffering from the effects of a strong dollar and more recently a slowdown in the U.S. economy.

BOC doesn't have a lot of friends in the City these days; and few analysts expect these

results to find it many more. Computer and Systems Engineering (CASE) one of the small UK electronics companies which seems to have made the big time, announces its results for the year to the end of March on Thursday. Interest will focus less on the phenomenal profits growth—the group is likely to report—about £11m pre-tax against £4.1m—than on the company's comments about its prospects.

In the UK, domestic and export sales are running strongly with particularly good demand for the Beeline electronic mail exchanges. But the City has its doubts about the U.S. market where CASE has made a very big commitment following the acquisition last year of Rixon.

It could be that sales of CASE's own products will be growing well despite the weakness of the U.S. data communications market, if only because they have only just been launched, but Rixon's own more established products may be suffering from market conditions.

When leading insurance giants General Accident and Commercial Union report their first quarter figures on Tuesday and Wednesday respectively, the market will be concentrating more on the recovery prospects for the rest of the

year than on the actual pre-tax figures.

It is expected that GA and CU will follow the pattern set this week by the other insurance giant Royal Insurance in reporting much higher pre-tax losses than in the first quarter last year.

The market will be seeking confirmation that the long heralded recovery is coming. Thus it will be paying more attention than is usual to the premium income figures looking for a strong underlying growth that shows these companies to be making swinging increases in premium rates worldwide—the first major step to better health.

Indeed, the recovery may already be starting to be seen in the U.S., with a slight reduction in losses in dollar terms. However, sterling's weakness during the first quarter will turn this into a continuing decline.

Results from Canada are expected to be very poor as the companies strengthen their reserves to meet the higher liabilities imposed by recent court decisions.

Contributors:
Lucy Kellaway
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Terry Povey

INTEREST RATES: WHAT YOU GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at	Frequency of payment	Tax	Amount invested £	Withdrawals (days)
		30% 45% 60%				
CLEARING BANK*						
Deposit account	7.0	7.12 5.59 4.07	HY	1	—	0-7
High interest cheque	9.0	9.31 7.32 5.32	HY	1	2,500 min.	0-7
3-month term	8.44	8.71 6.84 4.88	Q	1	2,500-25,000	90
BUILDING SOCIETY*						
High interest account	8.25	8.42 6.62 4.81	HY	1	1,350,000	0
90 day	9.7	7.75 5.57	HY	1	500 min.	90
Premium	10.6	10.25 8.05 5.86	HY	1	500 min.	90
	10.25	10.65 8.37 6.09	Q	1	10,000 min.	90
NATIONAL SAVINGS						
Investment account	12.75	8.93 7.01 5.1	Y	2	5-50,000	30
Income bonds	12.75	9.46 7.44 5.41	M	2	2,000-50,000	90
30th issue†	8.85	8.85 8.85 8.85	n.a.	2	25-5,000	8
Yearly plan	9.28	9.28 9.28 9.28	n.a.	3	20-100/month	14
General extension	9.51	9.51 9.51 9.51	Y	3	—	8
MONEY MARKET ACCOUNTS						
Money Market Trust	9.89	9.92 7.79 5.67	HY	1	2,500 min.	7
Schroder Wagg	9.97	9.95 7.35 5.34	M	1	2,500 min.	0
Provincial Trust	9.54	9.77 7.68 5.58	M	1	1,000 min.	0
BRITISH GOVERNMENT STOCKS						
10% Treasury 1987	11.8	8.9 7.4 6.0	HY	4	—	0
11% Exchequer 1990	11.7	8.3 6.4 4.7	HY	4	—	0
10% Exchequer 1995	11.7	8.3 6.4 4.7	HY	4	—	0
3% Treasury 1987	9.7	8.5 7.3 7.4	HY	4	—	0
3% Treasury 1989	9.4	8.3 7.3 7.3	HY	4	—	0
Index-linked 1988†	9.5	9.2 9.0 8.6	HY	2 1/4	—	0

* Lloyds Bank. † Halifax. ‡ Held for five years. § Source: Phillips and Drew. ¶ Assumes current inflation rate. † Paid after deduction of composite rate tax, credited as net of basic rate tax. ‡ Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax. M Monthly, Q Quarterly, HY Half yearly, Y Yearly.

COMPANY NEWS SUMMARY

Take-over bids and deals

Company bid for	Value of bid per share**	Market price***	Price before bid	Value of bid \$m's**	Bidder
Prices in pence unless otherwise indicated.					
Adams & Gibson	240*	282	234	4.32	Keep Trust
Allied Textile	473	480	450	42.91	London & Midland
Anvill Pet	64	58	50	10.30	Berkley Expln
ASR Hires	450*	445	385	9.00	Mistel Intl.
Brown (Matthew)	4448*	385	323	100.25	Scott & Newcastle
Cartwright R.	1338	174	107	8.92	Henderson Group
Cole Group	1618-18	178	122	4.83	Moss (Robert)
Enery Services	944	99	67	35.58	Peak Hlgs
Haden	240*	365	232	37.18	Trafalgar House
House of Fraser	400*	396	346	430.92	Al Fayed Inv & Trust (UK)
Ingall	105*	104	90	9.58	House of Fraser
Jackson J. & H. B.	1168*	120	84	27.52	Williams Hlgs
Manor National†	11	101	13	2.00	Bramall (C. D.)
MFI	281	278	258	83.54	Assoc Dates
MLI	189†	192	148	14.01	Leigh Interests
Northend	83	81	81	12.96	Saxon Oil
Petrols	1104	104	88†	11.06	Haywood Williams
Selincourt	38	30	28†	20.19	Stornagard
Solicitors Law	36	36	37	4.15	Hollis Bros
Solicitors Law	35*	36	42	1.41	CDI Hlgs
Times Vener	20*	75	70	2.02	Park Place
Trident Computer	81	45	49	24.96	Hopcastle
Waring & Galloway	180*	148	155	88.90	Rotocraft
Westland	150*	149	140	1.66	Talbot Group
Yorkgreen	15	15	10	—	—

* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not already held. ¶ Unconditional. ** Based on May 10, 1985. †† At suspension. §§ Shares and cash. ††† Related to NAV to be determined. †††† Loan stock. ††††† Suspended.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)	Earnings* per share (p)	Dividends* per share (p)
Air Call	Dec	912 (1,300)	10.2 (22.2)	5.6 (5.6)
Ambridge Inv Co	Dec	901 (322)	8.8 (8.1)	8.82 (8.4)
Barr & Wallace	Dec	1,310 (1,130)	18.5 (16.0)	7.0 (6.0)
Billam, J.	Dec	183L (181)L	—	2.8 (2.8)
Bio Isolates	Dec	356L (234)L	—	—
Booth Henry	Dec	4,050 (2,150)	55.3 (35.6)	11.5 (11.5)
Bristol Oil & Min	Dec	2,420L (487)	—	—
Cliff Oil	Dec	3,635L (1,400)L	—	—
Costal Group	Dec	54,940 (46,440)	46.7 (42.6)	15.0 (13.5)
Debenhams	Dec	40,700 (32,700)	20.6 (17.2)	8.5 (7.5)
European Ferries	Dec	44,700 (46,400)	15.9 (13.2)	4.3 (3.8)
Executive Clothes	Dec	117 (208)	5.5 (9.7)	—
Garhar Booth	Jan	4,770 (3,180)	39.3 (31.3)	5.8 (4.85)
King & Shaxson	April	790 (1,100)	—	8.25 (8.25)
Lee Cooper Grp	Dec	8,910 (8,210)	20.2 (15.6)	3.68 (3.68)
London Pk Hotel	Dec	594 (487)	—	7.38 (7.38)
Lytle Shipping	Dec	16,410 (12,700)	—	—
Miles 33	Feb	513 (342)	19.2 (12.8)	2.75 (2.5)
Palma	Dec	388L (507)	—	1.35
Paul Michael Lels	Dec	298 (756)	2.3 (4.2)	1.25
Richardsons	Dec	1,500L (3,530)L	—	—
Silentsnight Hldgs	Feb	2,230 (3,240)	6.3 (11.6)	2.75 (2.75)
USAC Group	Dec	70 (320)	27.2 (12.1)	—
UMG	Jan	10,410 (3,010)	10.6 (4.6)	5.25 (5.25)
Walker Walker	Der.	724 (568)	18.5 (17.3)	8.8 (8.5)

NEW YORK

A week of confusion and drift

WALL STREET went nowhere in April and the outlook for May looks equally flat with the market historians gloomily noting that on only four occasions in the last two decades has the Dow Jones Industrial Average ended the month higher than it started.

The Dow ended April at 1,275 and in the first week of May dropped to 1,242 at one point before staging a relatively weak rally which saw the index back up to the 1,260 level by Thursday of this week. The strong upward momentum which characterised the U.S. Stock market in January and February has disappeared and the market is tending to drift haphazardly depending on which of the daily conflicting crosscurrents are the strongest.

This week has been no exception. The credit markets had ended the previous week on a strong note buoyed by the increasing optimism that the Federal Reserve would soon have to cut its discount rate to boost the flagging U.S. economy. This week's record \$20.5bn U.S. Treasury refinancing operation was generally well received by the markets with the three-year notes being sold at an average 10 per cent yield, 40 basis points lower than last February.

However, on Wednesday, Mr Voleker, chairman of the Federal Reserve, told Congress that the Fed had not signally eased its grip on credit in recent weeks, which led the market to believe that the Fed was not going to cut its dis-

count rate, or at least wait until after the next federal open market committee meeting, scheduled for the week after next, before deciding what to do.

Both the U.S. credit and equity markets are confused by the signals coming out of the U.S. economy and judging by the recent statements of U.S. officials, particularly at the Fed, there also seems to be big differences of opinion among those people in Washington who are supposed to know what is happening.

This probably means that the Fed will delay any easing until the economic picture becomes clearer. There are widely differing views on the pace of economic growth in the second quarter and next Tuesday's U.S. retail sales and industrial production figures for April should shed some light. The markets are hoping they will show a useful rebound from the surprisingly weak March figures.

Nevertheless, E. F. Hutton argues that the Fed will have to ease to keep growth in the 3 per cent to 4 per cent range and while it remains "highly positive" about the longer term outlook for both the equity and credit markets it argues that a "period of positive performance on the part of the bond market will likely precede any broad upward movement in equity prices."

Merrill Lynch is of a similar view. It says in its latest market

letter that the market "may have to remain in the narrow trading range of recent months until some new stimulus develops to start more meaningful moves. The 1300 mark on the Dow Jones Industrials remains an upside obstacle but the low 1200s appear to be the limit of downside risk." If the market retreats to these levels, Merrill would regard it to be in an "oversold position." It continues to argue that the market is in a consolidation phase.

Smith Barney is less sure. Its market strategists note that the current bull-market is now 32 months old and institutional cash as a percentage of equity assets has been run down from 18 per cent in 1982 to about 6 per cent currently. The firm has been looking back at stock market cycles since World War Two and finds that on average the market, as measured by the S & P 500 has risen 74 per cent every four years or so and declined 27 per cent once every four years or so.

Against this confusing background, U.S. shareprices have put in a mixed performance over the past week. The oil stocks, whose strong performance since the beginning of the month has pulled up the overall market, have run into some profit taking.

Atlantic Richfield (Arco), whose decision to undertake a major reduction in the size of its business a few weeks ago, led to a near one-third jump in its share price has continued to

be one of the most heavily traded shares on the New York Stock Exchange but its price has eased back by a dollar or so in recent days and by Thursday evening it was trading at \$612. While the analysts like the way Arco has decided to take money out of its unprofitable downstream operations and scale back its exploration spending, there are some fears that it is sacrificing its long-term potential for short-term gains.

Analysts still believe that there is plenty of restructuring left to do in the U.S. oil industry but an increasing number of U.S. oil companies are now deciding to do it themselves rather than wait for an unwelcome takeover approach. While this is good for shareholders over the long term, it does limit the short term potential for substantial share price appreciation since it takes the company's less of a takeover target, especially if, like Arco, they take on a lot of debt speed the restructuring process.

Next Monday sees the possible climax of T. Boone Pickens' pursuit of Unocal, the West Coast oil company, but even if Mr Pickens wins the day there are many people on Wall Street who argue that as far as short term takeover speculation goes the fun in the oil sector is about over.

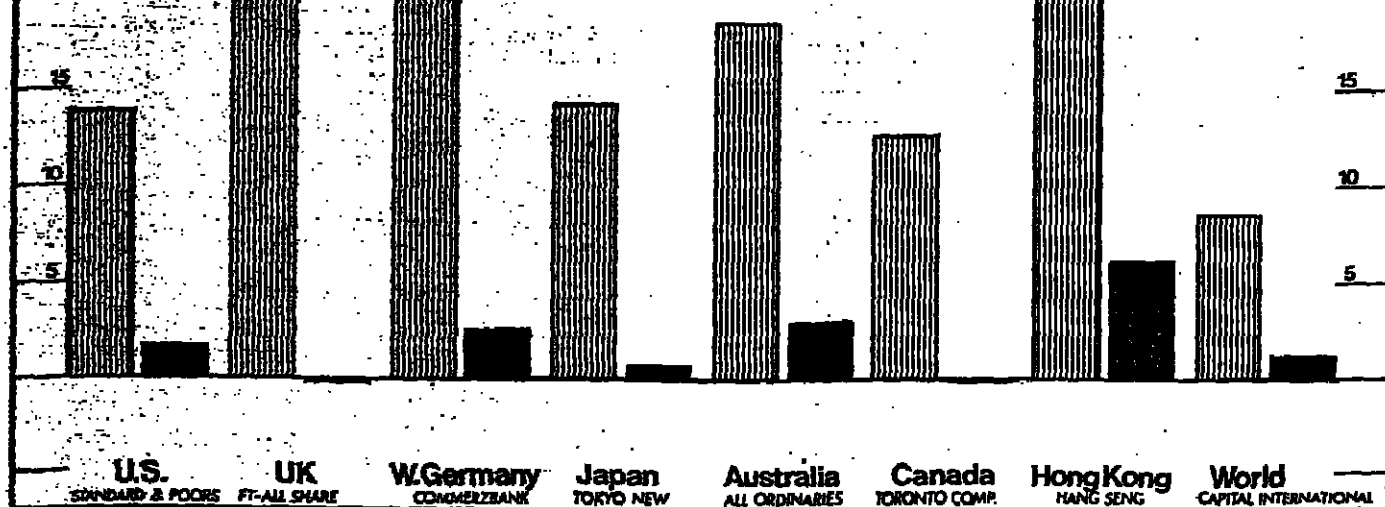
MONDAY 1247.79 + 0.55
TUESDAY 1252.76 + 4.97
WEDNESDAY 1249.78 - 2.98
THURSDAY 1260.27 + 10.49

William Hall

MAJOR STOCK MARKETS

Percentage changes over

one year one week



JOHANNESBURG

Battered bear could yet put bulls to flight

PRIVY THE poor old Johannesburg bear. Every time he has let his case since 1978, all he has received has been a quick trouncing from the thundering herd of bulls. Sentiment has not changed, and yet it is hard not to ignore the fundamentalists' view that the bear's day is fast approaching.

The South African economy is slipping ever deeper into recession, the all-important gold price is far on its back, corporate profits are hemorrhaging, labour unrest is pandemic, the political outlook is particularly grim for white conservatives,

and the foreign scramble for gold shares is over. Nevertheless, only a month ago the market as a whole broke decisively into new high ground, and now seems to be taking new breath before moving ahead again.

Paradoxically, one major reason for the market's strength is fear of inflation and fear among the half-dozen or so institutions and conglomerates which dominate the country's closed economy that if they do not continue to chase after ordinary shares, a competitor will. Stringent exchange controls have made South Africa an investment hot-house, with markets stoked by the intense competition for assets.

Inflation remains South Africa's most refractory economic problem. It is expected widely to hit 18 per cent within the next month or two and, perhaps more importantly, is widely expected to remain considerably higher than rates achieved by the country's major trading partners for several years. As a result, investors are eager for equities which, they believe, will not only pro-

tect them directly from inflation but also from its indirect consequence, a persistently weakening rand.

The fact that corporate profits are under considerable pressure, due to the country's worst post-war recession, has largely been ignored by the market. The view is that profits will eventually recover for the very reasons which make controlling inflation an exercise in the impossible. Building apartheid led to free-spending government policies. Dismantling the edifice will involve even greater inflationary spending commitments by a government determined to maintain its political grip; and that spending, so the investment argument goes, must percolate down to the level of corporate profits.

Underpinning Johannesburg's overall performance has been the all-important gold sector. Even though gold's dollar price has been declining more or less steadily for five years, the rand's corresponding slide—by almost two-thirds from its peak against the dollar—has presented the gold mining industry with record revenues. Buying of gold shares in Johannesburg has been matched by demand for South African gold stocks by the large American mutual funds.

The investment strategies of these closely defined institutions could, however, cause a market crack, if one is possible. American investors may not be actively selling their South African gold shares in response to calls of U.S. divestment campaigners, but in recent weeks they clearly have turned their attention more fully to the much smaller Canadian and Australian gold share markets. And if the divestment campaign gathers momentum and becomes harder for American corporations to resist, the purchase of American-owned assets by South African firms could well divert investment funds away from the stock market.

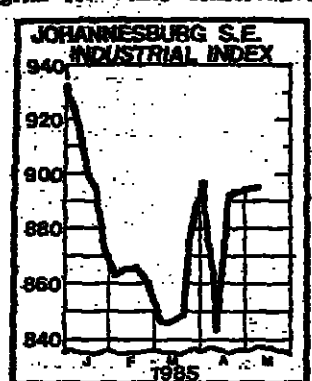
Nonetheless, prising loose the bulls' grip on the market will not be easy, for the very reason that there are few other realistic inflation-proof options. The gilt market is becoming listless, even though interest rates seem set for a steady two-year decline. Conversely, the

property market is unattractive, as interest rates are too high and the recession has cut tenant numbers. And though some foreign companies doubtless will leave South Africa in the fairly near future, the assets they sell will quickly be mopped up by cash-rich insurance companies and investment houses.

The bull is waiting for the next round of privatisation of state-owned industries following the disposal of oil-from-coal processor Sasol and the sale of the state's major stake in Saf-

marina, the national shipping line; next in line could be steel, electricity and transport. And the sale of state-run industries will have to compete with a coming spate of rights issues for the investment rand. While investors remain barred from investing abroad, everything which comes on offer on the Johannesburg stock market floor will continue to be snapped up.

Jim Jones



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MINING
A cigar for Lonrho

"TAKE a cigar, my boy, and if you are not going to smoke it then give it to your father," said the late Maj. Gen. Sir Edward Louis Spears Bt KBE, (CBE), CB, MC. That was many years ago and I did as I was told.

The handing out of cigars—you did not help yourself—was something of a little ceremony at the annual press conferences of Ashanti Goldfields Corporation which owned the famous Ashanti gold mine in what is now Ghana, certainly one of the world's richest and, possibly, biggest gold mines in those days.

In some parts of the underground workings rich grades of well over 500 gms per tonne of ore were encountered (over all grades were much lower, of course) which, being equivalent to more than 150 grammes, makes today's talk of high values of 20 grammes in other mines seem pretty small beer.

So even with a fixed gold price of \$35 per ounce in those days Sir Edward, as chairman of Ashanti, could well afford to hand round the cigars (they were good ones).

In 1968, Lonrho acquired Ashanti and gave the Ghana Government a 20 per cent stake which was subsequently valued to 55 per cent, leaving Lonrho with the remaining 45 per cent.

Ashanti pressed on, and in 1971-72 it mined 794,000 tonnes of ore at an average grade of 21 grammes for a recovery of 553,000 oz of gold. There was, and still is, plenty of ore left which is not bad for a mine with a history stretching back to the last century.

In recent years annual production has declined to about 250,000 oz, but encouraged by the success of Ghana's economic recovery programme Lonrho is setting about restoring

Kenneth Marston

£500 GETS YOU A REALLY ENJOYABLE BLEND.

Opening up an Abbey National Seven Day Account can have a very stimulating effect on your savings.

Because you'll immediately start earning 9.52% net. And you'll have instant access, providing you leave over £500 after taking out some of your money.

INTEREST TWICE A YEAR EARNS YOU 9.75%.

Another clever thing with this account is that your interest is added twice a year. So over a whole year your money builds up to earn you an extremely healthy 9.75% net. It's equivalent to 13.93% gross for basic rate taxpayers.

Of course, rates may vary from time to time.

WHEN YOUR BALANCE DROPS, THE RATE DOESN'T.

If you're not especially interested in instant access, you can start a Seven Day Account with as little as £100. And unlike some societies' accounts, you'll always earn the high rate current at the time. Even if your balance drops to as little as £1.

IT'S NO SEVEN DAY WONDER.

You can add to your account as and when you please up to the joint account limit of £500,000.

Small wonder over 1.5 million investors have chosen Seven Day as a safe home for their hard-earned money.

To join them, pick up a pen, fill out the coupon and post it to us.

Or call in to your nearest Abbey National branch.

They'll happily spill the beans.

Are you as happy with your building society?

ABBAY NATIONAL BUILDING SOCIETY, ABBAY HOUSE, BAKER STREET, LONDON NW1 6XL

To: Dept. 7-D.T., Abbey National Building Society, FREEPOST, United Kingdom House, 180 Oxford Street, London W1E 3YZ.

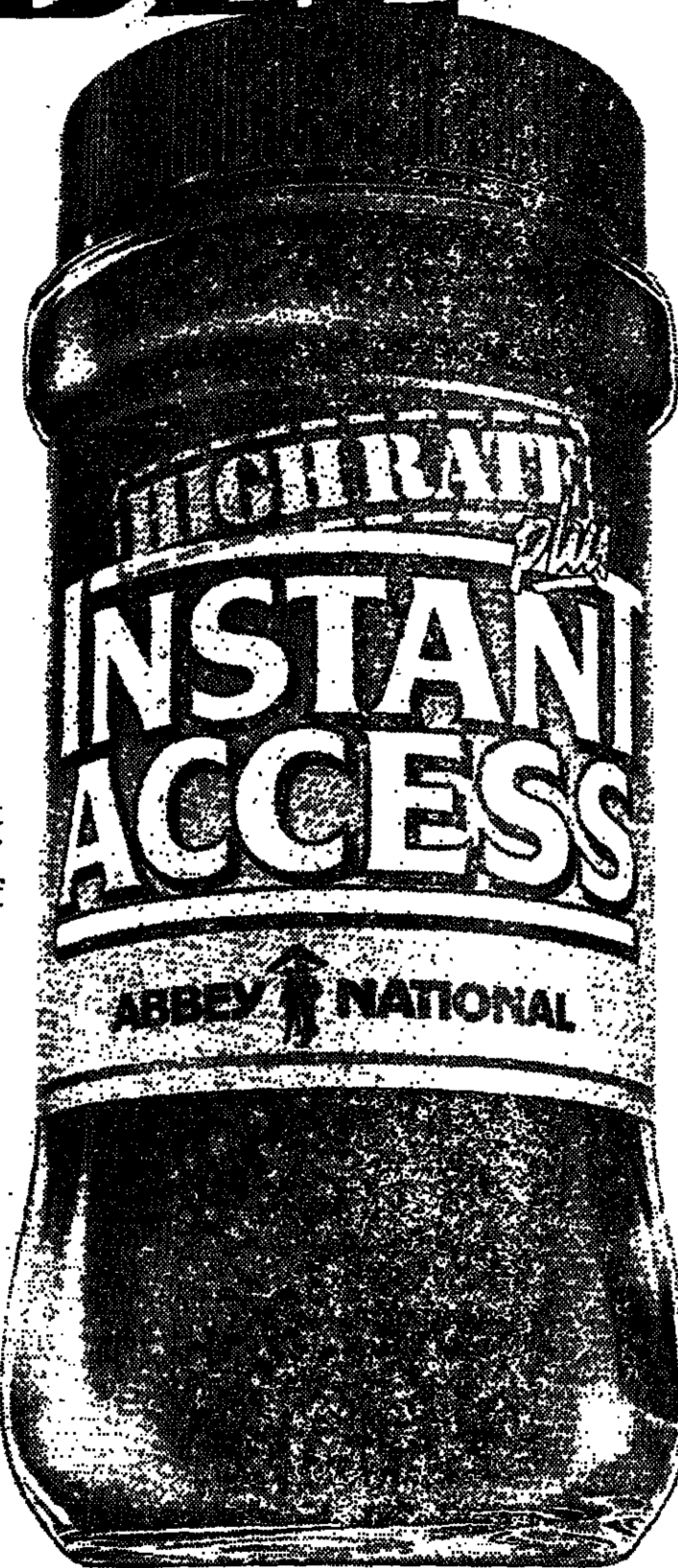
I/We enclose a cheque for £ to be invested in a Seven Day Account

at my/our local branch in

Please send me full details and an application card.
I/We understand the rate may vary.

9.52% = 9.75% = 13.93%

ABBAY NATIONAL SEVEN DAY ACCOUNT



Get the Abbey Habit

Full name(s) Mr/Mrs/Miss

Address

Postcode

Telephone

Signature(s)

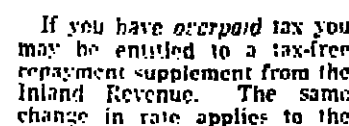
Date

FT 14

Expatriates

Home thoughts for those abroad

The use of a Certificate to settle a tax liability is not, however, without its pitfalls. When applied in settlement of tax, interest on the Certificate is calculated from the deposit date up to the normal payday for the tax. For example, the normal payday for tax on interest received gross is January 31.



supplement, which is increased from a rate of 8 per cent to 10 per cent. This change in rate operates from May 6, 1955, rather than May 1, for income tax and capital gains tax. In all other cases the change takes effect from May 1, 1955 as for interest on overdue tax. The

interest on the supplement will not start to run until at least one year after the end of the tax year to which the repayment relates. Thus, an over-

Malcolm Gamble is Director of National Tax Services at KMG Thomson McIntosh.

People who are given a monthly expenses allowance are also at risk of falling into the entertainment trap. If your employer gives you an allowance of say £100 per

allowance of, say, \$100 per month. It is quite likely that any entertaining done with that will not be allowable by the tax man and you will have to pay tax on it. Again it's as well to check the situation with your employer. People particularly at risk are sales reps and others who travel a lot.

Once the expenses minefield has been negotiated, the rest of the tax return is

All income from savings and investments must be declared gross except for interest payments paid by a building society. They should be declared net. If you are a higher rate tax payer, the

Revenue will work out how much extra you owe them. It is probably wise to work out—or have your accountant work out—how much extra that will be.

investment until last November was in the building society, do not forget to include any British Telecom shares you bought and sold in the chargeable assets section. It is unlikely that you will be liable to Capital Gains Tax on that transaction unless you managed to make more than

Finally, a word of comfort. The tax man apparently is not out to secure a maximum number of prosecutions. "Errors don't usually result in them coming down on you

like a ton of bricks," says my accountant, which is comforting since every tax return I've filled in the past has been awash with errors and oversights.

Simon Jones

A black and white line drawing of a traditional Chinese pavilion. The structure features a prominent, multi-tiered tiled roof with wide, sweeping eaves that curve upwards at the corners. The roof is supported by a series of horizontal beams and vertical posts. The pavilion is set on a simple base, and the overall style is that of a traditional Chinese woodblock print or a stylized architectural illustration.

“Fa tsai, Fa tsai (Get rich, Get rich!)”

HONG KONG – ALREADY BENEFITTING FROM THE CHINA SYNDROME

China is already the second largest market for Hong Kong products – and as China's economy takes

EXPERT INVESTMENT MANAGEMENT – RIGHT ON-THE-SPOT

The Waddell-Hong Kong Trust offers you the opportunity to participate in the dynamic potential of

market (on which it is presently not the price of property companies will rise by at least 3%).

US investment

The Americans, who are the largest investors in Hong Kong, have some US\$ 3.4 billion invested in fields such as finance, transportation and manufacturing.

The largest member of the group, the Hongkong & Shanghai Banking Corporation, has a 20% stake in the Hong Kong & Shanghai Freeport, which is a major container port in the New Territories. The managers have unparalleled connections in Hong Kong and China - which make them uniquely qualified to respond instantly to any changes in market conditions.

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Financial Institutions
Hong Kong's role in the development of trade with China has not been lost on foreign banks - particularly

GENERAL INFORMATION

Launch date: The Trust, which was formed on 15th September 1952, was launched on 10th May 1953.

Trading in units: Units may be bought at their Offer Price on any business day after the date of the first Offer for Sale, until 31st March 1954.

Charges: An initial charge of 3% (out of which commission is paid) on all unquoted intermediaries, the rate, being available on request) is deducted from the consideration. An annual management charge of 1% (plus 3/4% of the value of the Trust is deducted from the income or capital if there is insufficient income).

Sale proceeds: The Trust is authorised by the Secretary of State to

Charges: An initial charge of 3% (out of which commission is paid to qualified intermediaries, the rates being available on request) is deducted from the consideration. An annual management charge of 1% (plus VAT) of the value of the Trust is deducted from the income (or capital if there is insufficient income).

Trade and Industry and is a wider range investment under the Trust for Investment Act 1961. The Trustee is Lloyds Bank Plc, 71 Lombard Street, London EC3P 3BF.

Investment Managers: Warfield Investment Services Limited, 11 Moor Bank of America Tower, Harbour Road, Hong Kong.

Management Company: Warfield Trust Managers Limited, 100, rue d'Alsace, England. Registered Office Warfield House, 7

ONC KONG TRUST

THE CHINA FACT FILE

Population: 1,024,350,000 (Dec '83) - some 22.6% of the world's population. The largest national population on earth.

Natural Resources: 155 kinds of mineral resources identified of which 20 rank as the world's richest resources (including coal, petroleum, iron, manganese, copper, lead, aluminum and gold).

Special Economic Zones: 14 coastal cities, plus four Special Economic Zones created, where foreign on and businesses are permitted - and joint ventures between foreign and Chinese investors are actively encouraged. Foreign investment is often permitted in the development of the Special Economic Zones themselves.

Tax Incentives: Foreign investors can qualify for preferential tax treatment.


INVEST TODAY

To share in the benefit of the opening of the "Bamboo Curtain" to the greatest possible extent, it clearly makes sense to invest in the Wardley Hong Kong Trust today.

Simply complete and return the coupon, together with your cheque (or in £1,000) or tick the box for details of regular savings (from as little as £50 a month).

You should remember that the price of units and the income from them can go down as well as up.

Wardley

 member: HongkongBank group

APPLICATION FOR INVESTMENT IN THE WARDLEY HONG KONG TRUST

1 Wardley for units to the value of £ _____ *(Not less than HK\$1,000)* at the Managers' quoted offer price on receipt of this application.

Surname _____
(Mr/Ms/Ms/Ms/Ms)

Forenames _____

Address _____

Postcode _____

Surname _____
(Mr/Ms/Ms/Ms/Ms)

Forenames _____

Signature(s) _____

Date _____ *(In the case of joint applications,
each must sign and attach full names.)*

Please tick the appropriate box(es) if you would like:

(i) income distributions reinvested ☐

(ii) details of our Share Exchange Scheme ☐

(iii) details of regular monthly savings ☐

Please send this completed application form and cheque for the amount you wish to invest to:
FTHS
Wardley Unit Trust Managers Limited
Wardley House, 7 Beaumont Square, London EC2M 4AH.
Telephone: 01-426 4311. *(Add applicable V.A.T.)*

Lugano, Switzerland
11 & 12 June, 1985

Financial Times World Gold conference have established a reputation for their authority and lively presentation and always strongly supported. This year's programme, to be chaired by Mr Robert Strelbel, will include two forum sessions — one looking at the major gold centres and the other at the main areas of investor interest.

This year's major forum on World Electronics will be the eighth to be arranged by the Financial Times. A most distinguished panel of industry and government speakers will give their views on the key issues and trends in the industry in the US, Japan and Western Europe. The electronics industry in the information age, the global challenges and the strategies for success, why some countries innovate more than others, will be among the themes addressed.

Name _____

IFT
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CONFERENCES

Please forward details of the following conferences to:

- ☐ Foreign Exchange
- ☐ Paper & Gold
- ☐ World Gold
- ☐ World Electronics

Name _____

Title _____
 Company _____
 Address _____

 _____ Country _____
 Tel _____ Tlx _____
 Type of Company _____

GENERAL INFORMATION

Launch date: The Trust, which was formed on 15th September 1953

Dealing in units: Units may be bought at their Offer price on any business day (the initial Offer price as at 11th May 1985 is 23p). A Contract Note will be sent immediately your application is received and your Unit Certificate will follow within the next 12 days. When you sell your units, payment will be made at their Bid price, normal within 7 days of the receipt of your renounced Unit Certificate.

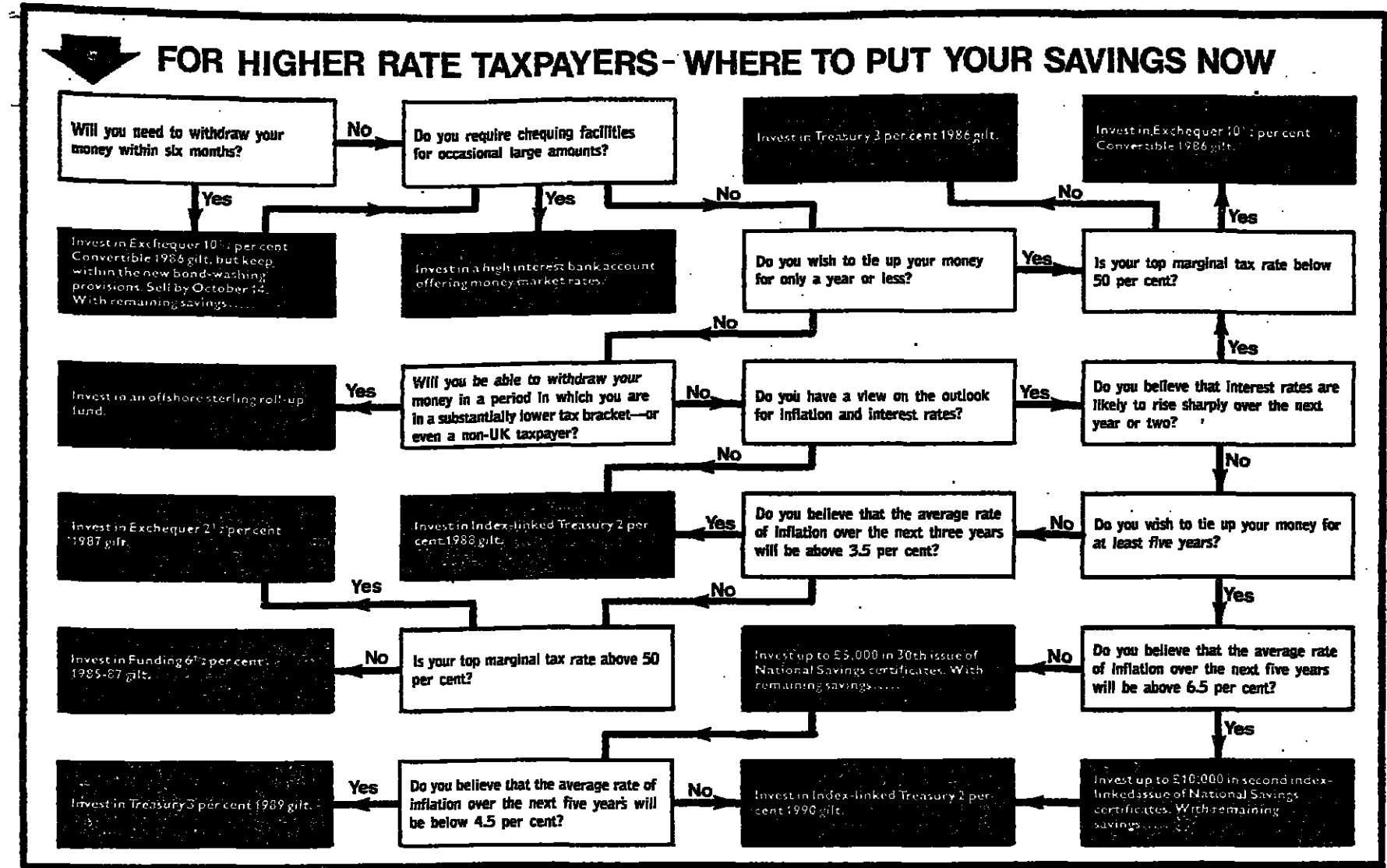
Income: The estimated gross yield on 11th May 1985 was 2.05 per annum. Net income is distributed annually on 30th April.

Charges: An initial charge of 3% (out of which commission is paid qualified intermediaries; the rate being available on request) is

deducted from the consideration. An annual management charge of 1% (plus VAT) of the value of the Trust is deducted from the income.

Investment Managers: Wardsley Investment Services Limited, 1

1. Four Bank of America Tower, Harcourt Road, Hong Kong.
 Management Company: Wardley Unit Trust Managers Limited,
 110, No. 120445 F. England, Registered Office: Wardley House, 7
 Devonshire Square, London EC2M 4HN. A member of the Unit Trust
 Association.



Gilt-edged market offers the highest returns

THE UNPRECEDENTEDLY high real rates of interest (after adjustment for inflation) that savers have enjoyed since the start of this year now look likely to persist following the upsurge in the money supply figures earlier this week.

The prices of conventional Government "gilt-edged" securities fell in response to the news, boosting their yields and their attractiveness to new investors.

For higher rate taxpayers, whose savings opportunities were last discussed on these pages three months ago, the gilt-edged market thus continues to offer the highest returns despite the Chancellor's crack-down on gilt-edged "bond-washing" at the end of February.

The main effect of the new anti-bond-washing provisions is to rule out the standard six or 18 month "runs" when gilts are sold shortly before the date of their next dividend. This practice converts all or part of the income from the stock into tax-free capital gains.

However, before the new rules take full effect next February, some opportunities remain—if you wish to tie up your money only for six months or so. The Finance Bill allows bond-washing to continue on a modest scale this year, if the income you have converted into capital gains is less than 110 per cent of the dividend income received—or if the scale of bond washing is no greater than your practice in previous tax years. You will be permanently exempt from the provisions if the nominal value (at par) of your gilt holdings is less than £5,000.

Because low-coupon gilts offer most of their returns in the form of capital gain rather than income without the need for any bond-washing, higher rate taxpayers generally find them a more attractive investment. However, at present, the Exchequer 10 1/2 per cent Convertible 1986 gilt is offering higher returns, at least to 40 and 45 per cent taxpayers. It has the added attraction that investors have the option to convert it

into a gilt with a redemption date as far away as 1999, a right which would become valuable if interest rates fell sharply.

Generally, however, it is not worth investing in longer-dated gilts at present as their yields are below those on shorter-dated stock. This reflects the expectation in the markets that interest rates will not be sustained at their current levels for long.

If you take the opposite view and believe that interest rates may continue to rise, you should keep your money in short-dated instruments or accounts offering floating interest rates in line with the money markets. The offshore roll-up funds are a particularly attractive money market-linked investment if you are intending to become non-resident in the UK for tax purposes in the next few years or expect your marginal tax rate to fall substantially, perhaps because of retirement. You pay no income tax on the interest until you withdraw your money.

For those who take little interest in economic and financial forecasts, index-linked gilts offer the safest haven, and quite possibly the most attractive returns. Their prices do not appear to have risen sufficiently to reflect the worsening inflation over the past few months. Only if you believe that inflation is likely to fall substantially in the near future, should you avoid index-linked gilts as a home for your longer term savings.

The current prospective yield on the 1988 index-linked gilt is higher than on its 1990 counterpart. But at least the 1990 gilt will tide you over a general election and well into the next Parliament, when an inflation hedge may become more valuable.

The rising rate of inflation in recent months has helped rescue from oblivion the granny bonds (index-linked National Savings certificates). In addition to the inflation-proofing plus a tax-free 7 per cent per year interest on certificates held for five years, guaranteed supplements will be paid for the next three years. But they may well be less than the 3 per cent tax-free supplement due this year, particularly if inflation accelerates.

If, however, the 3 per cent supplement continues for the next five years, granny bonds will be more attractive than the 30th issue of the conventional certificates, if inflation averages more than 5.1 per cent between now and 1990.

A detailed explanation of how to invest in gilts appears on page X in the Weekend Report. On Personal Financial Planning in this issue. The current interest rates of many of the money market bank accounts and trust funds are published on page 17 of Section One.

We would be grateful if readers would write in to tell us of their experiences in using the decision tree published above and other decision trees published in previous Saturday issues.

Clive Wolman

Stockbroking

The outsiders move in

EVER SINCE the Stock Exchange declared that it was to open its doors to outsiders, banks have been busily buying stakes in stockbrokers or setting up broking operations of their own. But last week saw the first sign that stockbrokers intend to trespass on the territory of the banks, when it was revealed that Phillips & Drew one of the largest City broking firms, has applied to the Bank of England for permission to take deposits.

Stockbrokers, in effect, take deposits anyway. However, a licence from the Bank of England would allow them to invest their clients' money on the money markets rather than place it indirectly via a merchant bank or use it to buy local authority bonds as is the case at the moment.

Phillips & Drew's aim is presumably to offer its clients a more competitive rate of interest than it pays now. Its move provides further evidence that with the prospect of negotiated commissions approaching, the fight for the private client's business is getting fiercer.

Rival brokers have been caught unawares by Phillips & Drew's application. "It has started the cogs whirling. It hadn't occurred to most of us to take that route," says Paul Kilik of Quilter Goodson, which—like P & D—has a large private client department.

Everyone agrees that as a part of the City revolution stockbrokers will offer a wider range of financial services via the banks with whom they have teamed up. Nevertheless, the reasons for this early move into banking services are keeping the City guessing.

It is thought that brokers won't have the muscle in the money markets of the big banks and hence will get less good rates, so that the benefits gained by direct access may be small. Furthermore, as things stand stockbrokers have one dubious advantage over the banks and other deposit takers—they pay interest gross, whereas since April 1 this year banks have had to deduct composite rate tax at source.

There is very little difference between the rates currently offered by the larger London stockbrokers. At the moment they all pay around 11 1/2 per cent on amounts under £10,000; 12 per cent on between £10,000 and £25,000 and about 12 1/2 per cent on anything above £25,000.

Non-taxpayers will find those rates are very attractive compared to rates quoted on instruments where tax is deducted at source. However, better returns can be gleaned from National Savings accounts, although at the cost of some restriction in flexibility. Taxpayers, on the other hand, will generally do better to deposit money with banks or building societies.

There is, however, a little point approaching an unknown stockbroker with your deposit in hand as it is not likely to be accepted unless you are already a client. But this is scarcely a handicap. If all you want to do is to make a deposit there are better alternatives. But if you already employ a stockbroker, you may well find their deposit facilities the most convenient way of making use of your money in between investments.

Lucy Kellaway

New products

High gains overseas

M & G is selling a new unit trust offering investors a high level of income from overseas investments. The M & G International Income Fund will aim to produce a yield of 6 per cent gross from a spread of stock markets in North America, Europe and the Far East.

The idea of an income fund investing overseas has not been a practical one until recently because the tax rules governing unit trusts took too large a slice out of dividends from foreign companies.

Franked income—which means, broadly, UK company dividends—is exempt from a second levy of corporation tax when passing through the unit trust, while unfranked income, including foreign dividends, is subject to UK corporation tax. This used to mean a levy of 52 per cent, instead of the basic 30 per cent deduction.

Corporation tax is, however, being progressively reduced. For the current tax year it is 40 per cent and it will fall next April to 35 per cent.

The tax disadvantage for overseas income funds is thus being cut to manageable proportions, opening up a potential market for funds such as F & C Overseas Income, Montagu U.S. Special Income, and M & G's new trust.

M & G will stick to its usual philosophy for managing income funds: invest in equities only, rather than boosting the income by including high-yielding fixed interest securities which offer no capital growth.

But there is a problem for an international income fund, because many overseas companies, especially in Japan and Europe, pay little or no dividend. M & G plans to get round this obstacle by investing in convertibles.

The fund will initially invest around 40 per cent of its portfolio in the U.S., with 10 per cent each for Hong Kong and gold shares, 5 per cent for Australia, 7 per cent for Europe and 5 per cent for Japan. It will also put 20 per cent into the UK, unlike the F & C fund.

Units are offered until May 31 at 50p, with a minimum investment of £500. The front end charge is 5 per cent.

ANGLIA Building Society is offering two new accounts. Capital Plus pays 10.75 per cent net on sums above £10,000, with 60 days notice. The Three Year High Income Bond pays 10.25 per cent, compounded to 10.51 per cent, on a minimum of £500, with 90 days notice. The rate will stay 3 percentage points above the Anglia's ordinary rate for at least three years.

CHESHIRE Building Society is promoting an interest-only mortgage scheme aimed specifically at retired people. The society will lend up to 60 per cent of the value of a home to anyone aged 60 or over, with or without an existing mortgage.

Loans are intended principally for improvements or repairs to the house, but they will also be considered for car purchases, holidays or general capital-raising. The loan is without term, and will generally be repaid on death.

The interest rate is at the same rate as charged for endowment mortgages: 14.25 per cent for loans up to £15,000, 14.5 per cent for £15,000-£20,000, and 15.0 per cent for anything above that.

George Graham

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WEEKEND FT REPORT

PERSONAL FINANCIAL PLANNING 1

هكذا من الخيال

The high level of real interest rates has increased consumer awareness of personal financial planning, by emphasising the benefits of seeking out the cheapest form of borrowing and the savings media with the highest return.

Tide swings back in favour of savers

BY CLIVE WOLMAN, PERSONAL FINANCE CORRESPONDENT

SAVERS HAVE never had it so good, nor borrowers so bad. Over the last year, real interest rates (after adjustment for inflation) have been at the highest levels for 30 years, and on some measures, 100 years. Since last summer, the banks' base rates have remained between 5 and 8 per cent ahead of inflation.

After a decade of high inflation and negative real interest rates up to 1980, the tide has now swung strongly back in favour of savers. In particular, the savings media in the form of unit trusts, building societies, and National Savings have accumulated large savings for their retirement.

The largest group of victims of the high real borrowing costs are probably young families with children who have taken out large mortgages on their homes. The true cost of their debt has not necessarily become fully apparent yet because at least nominal interest rates are lower than their levels in the high inflationary period of five years ago.

It may take several years before today's generation of mortgagors realises that it is not going to benefit from the rapidly lightening burden of debt in comparison to its general cost of living which was enjoyed by its predecessors in the inflationary seventies.

Nevertheless, the high levels of real interest rates have increased consumer awareness of personal financial planning by emphasising the benefits of seeking out the cheapest form of

borrowing and the savings media with the highest returns. This factor has been partly responsible for the upsurge in the competitiveness of retail financial service institutions over the past year, although the tougher competition is also the consequence of government-led

Part One: Part two will appear next Saturday and will cover tax shelters, insurance, pensions, capital gains tax and working abroad

reforms in the tax and pensions system, in investor protection and in the structure of the City of London.

The increased consumer sensitivity to interest rates was highlighted last August and September after the launch of the 25th issue of National Savings certificates. The interest rate on offer was pitched at an attractive 9 per cent tax-free to make up for the ground the Department of National Savings had lost in the previous four months.

Within a few days of the launch, the cash situation of the building societies, the main competitors of National Savings, was transformed from feast to famine. The building societies, large and small, responded with a series of leap-frogging interest rate increases, the first full-blooded battle between

societies since the official break-up of their interest rate cartel a year earlier.

The 28th issue in the five weeks of its existence attracted a record £900m, well over half the new money attracted by all National Savings products together during the financial year, 1984-85.

The impact of the nimble-footed saver who is prepared to shift his money around in response to single percentage point differentials has been demonstrated again over the period of extreme interest rate volatility in the first four months of this year. The difficulties faced by the building societies in responding swiftly to changes in wholesale money market interest rates led on one more to a large fall-off in their inflow of funds.

The clearing banks too have been forced to introduce higher interest deposit and cheque accounts at rates close to those of the money markets partly as a reaction to the introduction of composite rate tax on their accounts last month. This made their quoted rates directly comparable with those of the building societies.

But competitive pressures on the banks to give their small depositors a better deal were pushing in the same direction even before the change was announced in the 1984 Budget.

The banks have also responded by upgrading their services. The re-introduction of Saturday banking by all four high street clearing banks after the lead of Barclays is one indication. The removal of

bank charges on current accounts which do not go into overdraft — by Midland and some of the smaller banks — is another.

The market for loans to individual customers however, remains a relatively easy touch, which is reflected in the high interest rates on personal loans, credit cards and second mortgages. The accounts of the clearing banks suggest that such loans are probably their most profitable major activity.

However, the likely entry of the building societies into the

consumer credit market, in line with the recommendations of last year's Green Paper, should inject more competition. The mortgage market, formerly controlled by the building societies' cartel, has already been shaken up by the entry of the TSB banks four years ago and of foreign banks last year.

Higher differential interest rates on larger loans and on second mortgages, which were difficult to justify in commercial terms, have narrowed and, in some cases, disappeared.

The large discrepancies in mortgage interest rates have now made switching lenders a profitable option for many home owners.

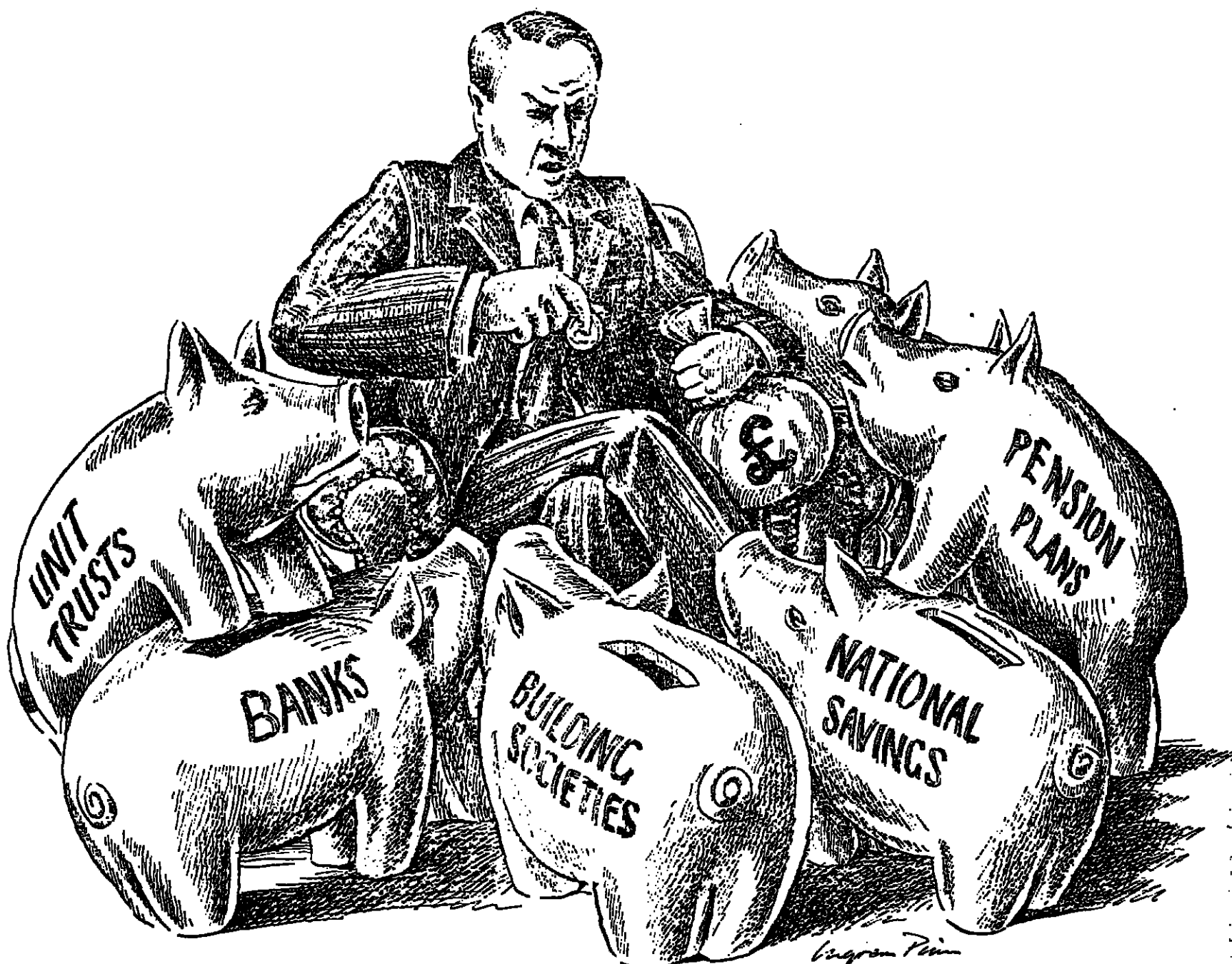
In the market for longer-term and more equity-oriented savings and investment plans, the increased competition has arisen mainly as a result of government action.

After the 1984 Budget, the most important changes were expected to arise from the abolition of life assurance premium relief. Previously, the tax advantages of long-term

savings schemes covered with a flat rate of life assurance were always one of their strongest selling points. Since last March unit trust savings schemes have had a fiscal advantage over life assurance maximum investment plans for all except higher rate taxpayers.

But selling — and buying — habits have been slow to change. The sales of investment-orientated life assurance plans have fallen off, but not drastically so. Unit trusts have done little so far to promote their own savings plans, although a

few groups have launched new plans since the maximum commission payable to brokers at the end of last year. But the average commissions and charges of unit trust plans are still well below those of investment-orientated life policies. There is little doubt that such is the momentum and community-driven energy of life assurance

CONTINUED ON
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During the initial offer (closing 31st May 1985) applications of £2,000 or more will receive an extra 1% allocation of units.

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FURTHER INFORMATION

Income units and Accumulation units are both available. Distributions on income units will be paid net of basic-rate tax on 1st June and 1st December, starting with an interim distribution on 1st December 1985. Income on Accumulation units is reinvested to increase their value and holders will receive an annual tax voucher starting in December 1986. Prices and yields will appear daily in the Financial Times and The Daily Telegraph. Unitholders will receive a registered certificate for their units, issued by the Trustee, and a Managers' Report every six months. Management charges: A preliminary

charge of 5% of the value of each unit issued is included in the price and an annual charge of 1% (plus VAT) of the value of the Fund will be deducted from its gross income. Remuneration is payable to accredited agents; rates are available on request. A copy of the Trust Deed may be inspected at the head office of the Trustee or at M&G's London Office. Auditors to the Fund: Deloitte Haskins & Sells. Taxation: The Fund does not pay tax on capital gains. Income is distributed (or retained) net of income tax at the basic rate. The Fund is a wider-range investment under the Trustee Investments Act, 1961, and is authorised by the Secretary of State for Trade and Industry. Application has been made to The Council of the Stock Exchange for the units to be admitted to The Official List. The Trustee is Lloyds Bank Plc.

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M&G SECURITIES

PERSONAL FINANCIAL PLANNING 2

Obtain the right advice at all costs

THE WRONG choice of investment can cost you hundreds of pounds so it is essential to pick the right person to advise you on those investments, otherwise it can end up costing you thousands in missed opportunities.

How do you set about choosing a financial adviser who will manage your investments effectively and not end up costing you an arm and a leg?

The first stage is to decide what kind of service you actually need. You may require only a one-off assessment of your investments and a restructuring of your portfolio. You may want continuing but only occasional advice or you may need full management of your investments on a discretionary basis.

Few investment advisers will be ideally suited to all three of these requirements.

Second, be aware of what you are paying for the services of your investment advisers. The costs come in three main forms: fees charged on the basis of how much time the adviser spends on your case; fees based on the size of your portfolio; and commission taken from the transactions he carries out on your behalf.

You will not get something for nothing. Most people are aware that if an insurance broker says his advice is free, he is in fact receiving commission from the insurance company whose product he sells. But you may not be better off trying to reduce this commission.

It is quite common now to ask an insurance broker to split his commission with you. But you should also be concerned about what sort of service you will get from someone who says yes. If he agrees to halve his commission, will he not also halve the time and effort he puts into it?

In the end you may be best off with a balance of commission and fees. If your adviser

charges very high commission he could have an incentive to "churn" your portfolio by constantly buying and selling but if he charges a high flat fee then he might have little incentive to do anything at all.

There is a tendency to regard commission as a surreptitious way of charging but you will not necessarily be any worse off under this system than under any other. Be aware of what you are paying and ask your adviser what commission he is getting.

Financial advice is a sector that is now attracting a great many companies from a great many backgrounds. Before choosing one, ask what their training, their experience and their professional qualifications are. These are some of the main professions that are now offering their services as financial advisers.

● Banks. Bank managers themselves may know a lot about the state of your personal finances but they will not necessarily know about investments. Many banks, such as NatWest, forbid bank managers to offer specific investment advice.

Banks do have their own trust divisions that specialise in investment advice. They usually charge a fee of around 75p a year per £100 in your portfolio.

For smaller investors—certainly those with less than £25,000 and, in some cases, those with under £100,000—the High Street banks will refer you to their own unit trust services although they may include fixed-interest investments, such as gilts, in the portfolio they construct for you.

Banks are the first choice for investors who are worried about the security of their advisers. They are strictly regulated by the Bank of England.

● Stockbrokers. You would obviously think of a stockbroker to advise you on direct investment in the stock market. But many firms have developed a much wider expertise.

Several City firms now employ accountants and insurance brokers, and will provide a full financial planning service.

Commission of Stock Exchange purchases and sales remains the mainstay of a stockbroker's commission. The minimum rates of commission can mean that small deals—below about £1,500—are uneconomical both for the broker and for you.

Brokers are increasingly moving towards full discretionary management for their private clients, because it is simpler for them to run your

portfolio if they do not have to telephone each time they want to buy or sell a share. Several firms will not take on clients with less than £50,000 or even £100,000.

But many country partnerships will accept much smaller portfolios, and as the Stock Exchange itself changes radically in structure over the next two years, it may be in these firms that private clients will find their niche.

Stockbroking firms are controlled by the Stock Exchange, which operates a compensation fund for clients of firms that go under. However, payments from this fund can be unpredictable.

● Insurance brokers. Increasing numbers of insurance brokers are moving into the field of financial advice, particularly now that changes in the tax structure have made many insurance products whose main purpose was investment less efficient than their rivals.

Payment is almost exclusively by commission, though some firms now charge a fee for portfolio management—either a percentage of the value or a flat charge. This is particularly com-

mon for unit trust advisory services.

To call yourself an insurance broker must by law be registered and keep separate client accounts; and you must have professional indemnity insurance of at least £250,000. The British Insurance Brokers' Association (Biba) has further requirements.

But advisers using titles such as insurance consultants may not be registered at all.

Most insurance firms that take their financial advice operations seriously will be Licensed Dealers or members of the National Association of Security Dealers and Investment Managers in addition to being registered insurance brokers.

● Independent financial advisers. Many firms began in the insurance broking field, and specialise in unit trust selection. They receive commission when they buy trusts on your behalf, though some will also charge an annual management fee based on the size of your portfolio.

The performance of these advisers in managing portfolios can vary widely. But the monitoring of their unit trust selections carried out by magazines such as *Planned Savings* can be misleading, as no measurement of the risk factor is included.

A number of unit trust advisory services are themselves part of unit trust management groups. But several of these will undertake not to place more than a certain proportion of your investments with their own parent.

You should look for Licensed Dealers—regulated by the Department of Trade and Industry—or members of Nasdim, a newly formed self-regulating authority which enforces various accounting and indemnity insurance requirements and plans soon to introduce a compensation fund.

● Accountants. Most accountants limit themselves to tax

planning, though they will often recommend you to a stockbroker or insurance broker they deal with.

Some firms, however, have moved into the personal financial planning market more wholeheartedly, and will even recommend specific investments.

Fees are charged on the basis of the time it takes the accountant to deal with your financial requirements—and on the seniority of the accountant who handles your case. It is likely to cost £25-£30 an hour.

The Institute of Chartered Accountants requires its members to disclose any commission they may receive on investments or insurance they handle for you. Many firms will offset this commission against the fees they charge you.

● Solicitors. A solicitor specialising in tax law may be even better than an accountant for tax planning. But most lawyers will steer clear of giving investment advice.

They can be invaluable in drawing up a will so as to avoid capital transfer tax, but are less likely to be able to advise on which insurance contract to choose, although they do earn commission on these.

Fees are charged on the time involved, though for certain standard tasks such as drawing up a will solicitors may quote a fixed price.

You can get names of professionals working in your area from these organisations:

The Stock Exchange, London EC2.

British Insurance Brokers Association, 14 Bevis Marks, London EC3.

National Association of Security Dealers and Investment Managers, 23 Lovat Lane, London EC3.

Institute of Chartered Accountants, Moorgate Place, London EC2.

Mr Nigel Lawson, Chancellor of the Exchequer: Pension plans have been given a boost by his Budget announcement that he was lifting the threat to their tax privileges, at least for the duration of this Parliament



Tide turns in favour of savers

CONTINUED FROM PAGE 1

salesmen's over-optimistic projections of the likely returns from life policies.

At the institutional level, the Marketing of Investment Board now being set up following the publication in January of the Government's White Paper on the subject represents a move in the same direction. The proposals for reform provide for a powerful deterrent for life companies to pay no more than standard commissions to brokers who sell their products, namely the requirement that otherwise clients must be told precisely how much commission their broker is earning.

The establishment this month of fully-fledged unit trust operations by three of the largest life assurance companies—the Prudential Assurance, Norwich Union and Sun Life, may signal a growing realisation in the industry that the game will soon be up for the mass-marketing of investment plans dressed up as life assurance.

The declining attractions of life assurance and another set

of government initiatives, to encourage personalised pension plans, has over the last year produced a flurry of launches of pension plans designed for sale to the individual with inadequate pension arrangements.

Such schemes have now been given a further boost by the Chancellor's Budget announcement that he was lifting the threat to withdraw the tax privileges of pension plans, at least for the duration of the present Parliament.

But the marketing of such schemes, which are inevitably highly complex and usually involve large sums of money, adds further to the problems of providing investor protection. In fact, it raises the most fundamental issue: whether the payment of commissions to those who hold themselves out to be independent and impartial investment advisers and brokers is justifiable on grounds other than being a well-entrenched custom and practice.

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A better return as competition increases

FOR YEARS, anyone who left their savings in a bank had to be satisfied with a return of not very much more than the rate of inflation. Banks paid more interest on deposits, and none at all on current accounts. Their branches often seemed to be closed when you most needed them.

All that is changing. Pressed by competition from other institutions, like building societies, unit trusts, and even insurance companies, banks have begun to fight back by offering better rates of return, even on current accounts. Today, leaving your money in a bank is an option for the saver, albeit the conservative one, and banks are making an effort to reach out to their customers.

Over the last two or three years, all the leading banks have introduced so-called "high interest" accounts where savers can get rates close to those available in the money markets. Recently these have been paying the gross equivalent of 11-13 per cent.

The rates paid by banks tend to be similar: the choice is usually dictated by the conditions they attach. High initial deposits are often required (£2,500 is typical) and most banks offer better rates for bigger balances. Cheque-writing, transfers, and free banking services: these are all features that customers can now expect from a high interest

Banking services

account. The catch is that they must usually leave high balances, and risk receiving low interest, or none at all, if deposits fall below a certain figure. Some banks also insist on a minimum transaction size, say, £250.

These accounts have clearly been a great success, judging by the hundreds of millions of pounds the banks claim to have attracted, though a lot of this money was simply transferred from other low-yielding accounts at the same banks as customers "traded up".

Lloyds Bank, which prides itself on being a little more "up-market" than its rivals, has gone one stage further and introduced an asset management account which combines a current account with savings and investment. For a quarterly fee of £25, plus various transaction charges, customers get an investment and broking service with "sweep" arrangements which automatically transfer surplus funds between the current and investment accounts. But the customer must place £25,000 in cash and/or marketable securities.

The extension of the building societies' composite rate tax (CRT) system to the banks this April has also made it easier for savers to compare the rates being offered by the banks and societies. The banks were angered by this change because it obliges them to pay interest after deducting tax, which cuts them out of the non-taxpayer market.

They have made the most of the fact that the CRT means that tax is deducted at 25.25 per cent rather than the basic rate of 30 per cent, giving a 4.75 per cent benefit to the tax-paying saver.

Savers wanting to avoid CRT can quite legally ask their banks to open an account at



Lombard Street office of Barclays Bank, pace-setter in re-opening high street branches on Saturdays

their Channel Islands branches which are exempt—and many have. However, the banks have not plugged this service very hard, because it runs counter to the spirit of the law.

Paying higher interest is part of the banks' long-term goal of realistic pricing, both in terms of yield and bank charges. So high interest accounts have been accompanied by higher bank charges, though most of the English cleavers do not levy charges on accounts where a minimum balance—for example of £100—is maintained over the charge period.

The big exception is Midland Bank which—like the Scottish banks—opted last year to levy no charges tax on all accounts in credit. This striking departure has, Midland claims, won it a lot of new business. Certainly, for people who have very active current accounts and keep low balances, it is a bargain.

There are doubts, however, among the other banks as to whether Midland can be making much of a profit, and they are reluctant to follow suit. At the moment it seems unlikely that "free banking" will become widespread south of the border, although Midland's move will probably delay the other banks' next increase in charges, and it has prompted some banks to offer free banking to specific groups of customers, like retired people.

All the banks have, however, followed the lead set by Barclays two years ago to re-open branches on Saturdays. This spring, Midland, Lloyds and NatWest are each opening several hundred branches in busy shopping centres for a few hours on Saturday morning and—in Lloyds' case—the afternoon. (In Scotland, where trading laws are different, the Trustee Savings Bank has even opened a branch on Sunday.)

Saturday "opening" is a bit of an anomaly, because banks are not providing a full counter service. Most of them are not opening their safes or even manning their counters. Staff are only available for non-cash transactions like loan applications and advice. Withdrawals and deposits must be made through machines.

Whether this really amounts to an improvement in service is open to doubt but it is a sign of the banks' growing customer awareness. New technology may be replacing personal service with machines, but it is producing greater convenience as well. Apart from the automatic tellers which are now familiar sights in UK high streets, banks are linking up with banks abroad to enable their customers to withdraw money from continental branches.

All the major clearers now offer the Eurocheque card which activates foreign cash machines, as well as Eurocheques which can be written in most major currencies.

An intriguing development is the introduction of home banking through a terminal which plugs into your telephone and TV set. Pioneered two years ago by the Nottingham Build-

ing Society, the service has now been taken up by the Bank of Scotland.

For an outlay of £95 for the terminal and £2.50 a month, Bank of Scotland customers can call up details of their accounts at home, authorise payments for regular bills like utilities, and communicate with the bank about routine matters such as standing orders and new cheque books.

But it is too early to say whether home banking is the wave of the future or just a thrill for technology buffs. Some people who have opted for the service describe it as a boon, others find it expensive and disappointingly laborious. It is a sign, however, of the kind of changes banks are willing to try out to gain a competitive edge over their rivals.

David Lascelles

The advantages of tight discipline

SAVING A regular sum each month is not just good discipline; it makes financial sense, too. In months when the price of your investment—be it unit trusts, shares, gold or whatever—is low, you buy more of it. You can do it with an insurance policy, with a unit trust regular savings scheme, and now even with an investment trust.

Two years ago, an investor planning to save regularly would have been drawn to a life assurance savings plan. The prospect of tax relief on his monthly premiums would have made a with-profits endowment policy or a unit-linked maximum investment plan irresistible in comparison to similar schemes which did not qualify for the 15 per cent subsidy provided by Life Assurance Premium Relief.

No more for the abolition of LAPS in the 1984 Budget—advised as a blow for fiscal neutrality in the treatment of investment products—has put these savings plans at a tax disadvantage to their main rivals, the unit trusts.

As far as tax efficiency goes, the great majority of savers are now better off with a unit trust regular savings plan than they would be with an insurance-linked product. The reason for this inequality lies in the tax treatment of the funds which underpin your regular investment. While both unit trusts and insurance funds are subject to tax on income that they receive from their investments, they are treated differently for the purposes of capital gains tax.

A unit trust pays no capital gains tax itself, though the investor is liable when he withdraws his investment. An in-

surance fund, on the other hand, pays CGT internally out of the investor's net income, with no tax liability on withdrawal.

An investor may, however, take up to £5,900 a year of gains without having to pay any CGT—and this figure rises each year in line with inflation. So the right to cash in your investment in an insurance-linked plan free of tax is of no practical advantage except to those whose capital gains amount to more than £5,900 a year.

The insurance plan is likely to produce a lower investment return, both because it is paying CGT internally on its gains, and because the initial charges it will deduct from your monthly payments are much stiffer than those on a unit trust.

A sum of £20 a month invested in a typical unit trust regular savings plan begun 10 years ago might today be worth a total of £6,500. But a unit-linked life assurance policy invested in exactly the same underlying fund would without LAPS be worth only £5,000 because of its higher charges.

The CGT it would have to pay on its internal investment gains would further reduce the value to around £5,300. The better the investment performance, the greater would be the proportionate loss to the investor from using the insurance route.

For a higher rate taxpayer who uses up his annual capital gains tax exemption, however, the insurance-linked policy would pay off, because it would be free of all taxes when finally cashed in. But you should be sure that you will want to continue the savings plan. If you change your mind in less than

seven and a half years you will be liable to income tax at your highest rate, rather than to CGT at 30 per cent.

Over the course of 10 years much can change in the world of investment, and the advantage to unit trusts could be eroded if you change your mind about which sector you want to invest in. In a unit-linked savings plan you will normally be allowed to make one switch a year free of charge, and further switches usually cost only £15 or £20.

With unit trusts each fund is quite separate, so you will have to pay a 5 per cent initial

Long-term regular savings

charge each time you switch, although some groups offer a discount of 2 to 3 per cent on switches.

Don't fool yourself about this benefit. Free switching is a big marketing point, but practical experience suggests that few investors ever make use of the facility: some estimates are as low as 1 per cent.

Ask yourself realistically whether you will in fact be shifting from the Hong Kong fund to the Property fund, or will just stay in the managed fund for 10 years. Choosing an insurance-linked plan on the grounds that switches are free could prove a costly piece of self-delusion.

The problem with both unit trusts and unit-linked insurance policies is that you cannot be at all sure what the value of your investment will be in, say, 10 years' time. So if you are saving for a specific expense in

the future, such as school fees, you may be better off putting your money into a with-profits endowment policy, where the fluctuations in investment returns are smoothed out over the years, giving a more consistent performance.

Over 10, 15 or 20 years, the average unit-linked plan has outperformed the average with-profits policy, a recent survey in *Planned Savings* magazine showed. But the consistency of the best with-profits companies, such as Scottish Amicable, Standard Life or Norwich Union, compares favourably with the more variable performance of unit-linked groups.

Apart from tax efficiency, unit trust regular savings plans have the advantage of flexibility. While some management groups have schemes which insist on the same investment each month, others have the simplicity of a building society pass-book. Your payment can be a regular monthly sum, or you may just add as much as you want at irregular intervals.

But not all unit trust schemes offer such good value. The Department of Trade and Industry has recently approved regulations which will allow unit trust groups to pay more commission to salesmen on their regular savings plans—and, as a result, to levy a much greater initial charge on your investment.

The reasoning is that most people have to be actively persuaded to start saving, and a plan is sold by the salesman rather than bought by the consumer. It is therefore only fair to pay the salesman adequately for his time and trouble.

This may be true, but there is no reason why the informed investor should pay the steeper



Mr Norman Tebbit, Secretary of State for Trade and Industry. His Department has recently approved regulations which will allow unit trust groups to pay more commission to salesmen of regular savings plans

front-end charge. As yet very few unit trust groups have taken advantage of the rules by introducing schemes in the new style. But the arrival into the unit trust industry of insurance groups with large sales forces, such as the Prudential, could change that.

If you particularly want to invest with a group that does operate the new, higher charging structure, you can use your money much more effectively by putting a monthly sum aside in a building society account until you have accumulated enough to meet the minimum requirement for a lump sum investment in the unit trust of your choice. You will then pay only the standard 5 per cent initial charge instead of kissing goodbye to your first three months of payments.

Whichever investment route you choose, however, pick your investment manager carefully. Over the long term, poor investment performance can end up outweighing cost and tax advantages.

George Graham

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PERSONAL FINANCIAL PLANNING 4

A way of cutting the cost of borrowing

IF YOUR cash flow crisis has long passed the temporary stage and is beginning to look something like a permanent fixture, you could consider using your mortgage as a means of borrowing money for purposes other than buying property.

Mortgage payments tend to be the largest single outlay from your monthly pay-cheque, and the thought of increasing them still further may be daunting. But with most mortgage rates at 14 per cent or under at the time of writing, the real costs of mortgages are far lower than other sources of credit.

On a mortgage of up to £30,000, which is taken out when moving house or making a home improvement, you will be granted tax relief. As a basic-rate taxpayer, a 14 per cent mortgage actually costs you 9.8 per cent after tax relief. A 50 per cent rate taxpayer would pay just seven per cent after tax relief at source on a £30,000 mortgage.

The real interest rates charged on mortgages are particularly low if you take into account the appreciation in house prices, which may be considerable if you buy in and around London, for example.

It would be easiest to borrow more money than you actually need at a time when you are in the process of moving house. You could alternatively get an "advance" on your existing mortgage. But although building societies admit that it is very difficult to keep track of how you use your money that may have been approved for "home improvement," some are stricter than others.

The Woolwich and Abbey

National are just two of the societies that stress they would like to see borrowers put a substantially large amount of equity into a new property. If you sell your home and buy a new one, retaining your mortgage with them, you could find it difficult to keep your capital away from their scrutiny.

Mortgages and consumer credit

One of the major building societies which is unusually open about the possibility of extra borrowings is the Halifax. In the case of a large mortgage the Halifax stresses that it would insist repairs and improvements were carried out as a condition of the mortgage. With a loan for less than say 60 per cent of the house value—"we would like to know that work would eventually be done but we would take a sensible view on the whole," says the Halifax.

If you want to approach a building society for extra credit, make certain you do your homework first. There are large variations in rates for the same mortgage offered by different societies.

The key to obtaining more cash from your mortgage could ultimately rest upon your relationship with your branch manager, as most of the societies stress that decisions on advances are left to his/her discretion.

If you fail to convince your building society or bank of your need for more money as a mortgage loan, or the process is too long and complicated for your

taste—and it could be more expensive if legal costs are involved—you will need to consider other forms of credit.

Negotiated overdrafts remain a relatively cheap form of credit, and the major clearing banks offer a similar range of overdraft charges with interest at several points above base rate.

Your charges are likely to reflect your record as a bank customer, but interest varies from 3.5 per cent above base. Lloyds is the exception among the four major clearing banks in that its overdraft can go up to 7 per cent above base. Base rates at 12 per cent could involve overdraft charges anywhere between 14-17 per cent with the clearers.

The advantage of an overdraft is that it can be rolled over, and is comparatively easy to negotiate, providing you have not been a nuisance in the past. Again, being on good terms with your bank manager helps.

A steady job and good prospects are also undeniably important in negotiating an overdraft. Essentially, however, it constitutes unsecured lending and banks are likely to become restive if your overdraft looks in danger of becoming "institutionalised."

Whereas you can use an overdraft as a "safety net," dipping into it as you feel the need, a personal loan involves borrowing an exact sum with a commitment to repay within a set period.

Once a loan is negotiated, its rate of interest cannot change. The true rate of interest you will be paying on an annual basis is the Annual Percentage Rate (APR). Banks will try to guide you gently—or not

so gently, as the case may be—towards a personal loan if your overdraft drags on and on, but such loans are clearly more expensive, even if you take into account overdraft administration charges.

Rates of interest on secured personal loans are slightly lower than those on unsecured borrowing, and the rate goes down if the repayment period is longer. The APR on personal loans has in recent months been at least 21 per cent.

If you do not want to go through the process of applying for a personal loan, you could consider an overdraft that has not been negotiated in advance, but this is not recommended.

A "non-agreed" overdraft could incur the wrath of your bank manager and make future borrowing difficult.

One clearing bank suggests that typically a "non-agreed" overdraft would mean that you would be charged interest on your overdrawn account at 7 or 8 per cent above base rate.

Banks are still likely to charge less for a "non-agreed" overdraft than it would cost for you to take out several hundred pounds on your Access or Barclaycard. These cards are not a good idea for cash advances as interest payable is high and is charged from the moment you take out the money.

The APR on cash advances on Barclaycard has reached 27.2

per cent this year, with Access just behind, at 26.8 per cent. The rate charged on Access accounts varies slightly from bank to bank, and this year the rate charged by Williams & Glyn's has, at 30.6 per cent, been higher than that charged by other banks participating in the scheme.

You may thus pay a different rate depending on where you hold your account, but any anomalies are unlikely to persist for too long.

"Plastic friends" do have the advantage of being convenient and easy to obtain. Your credit limit can vary from a few hundred to over £1,000, and may be revised upward or downward at any time

depending on your record as a customer. Used carefully, they can provide you with as much as 56 days of interest-free credit on purchases. The best way of using your credit card is to clear the balance each month, allowing no interest charges.

This is particularly true if you hold individual department store credit cards, which tend to charge high interest rates.

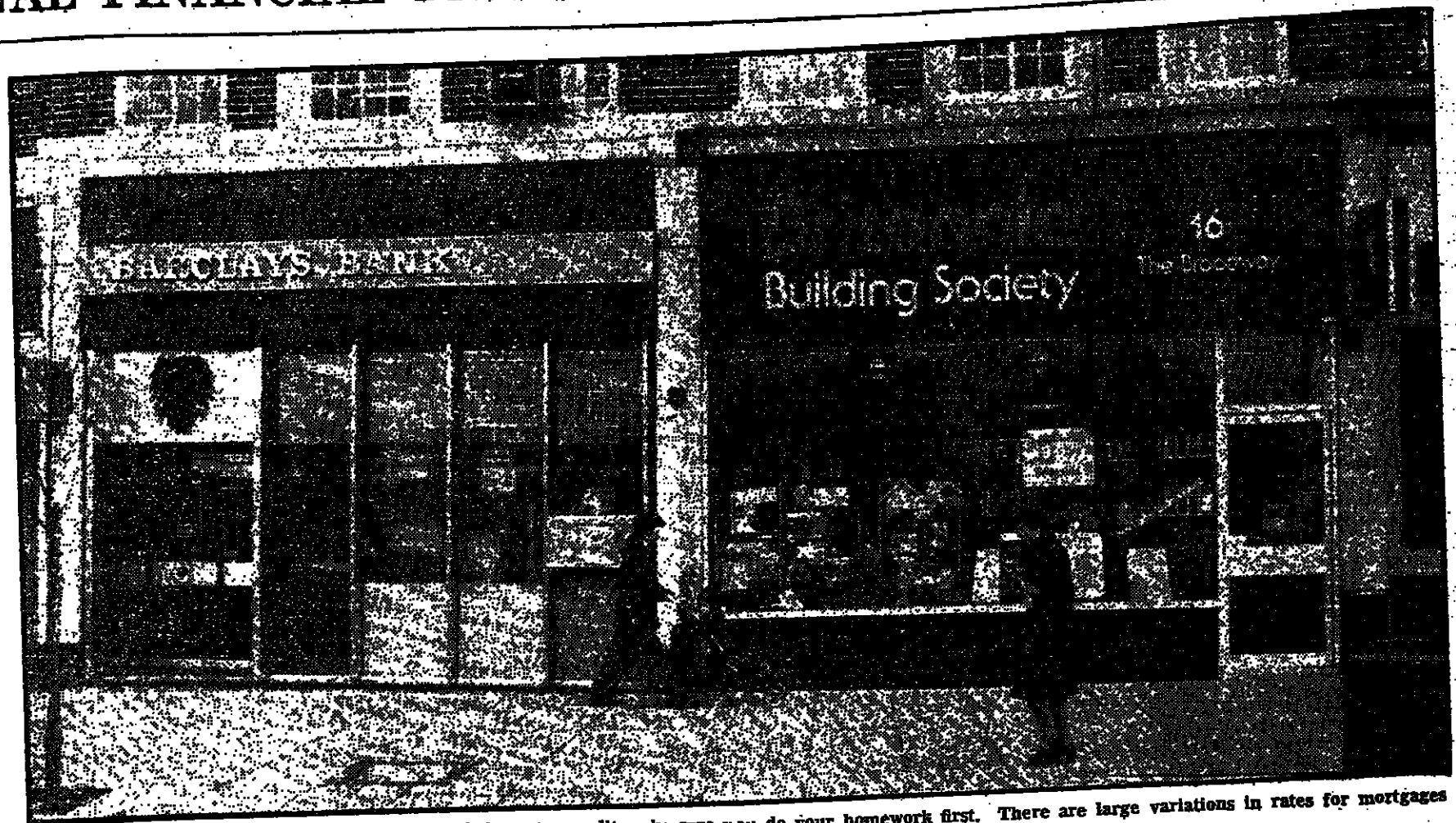
Selfridges, for example, hiked the APR on its charge card to 30.6 per cent.

The most economic use you can make of a "plastic friend" is to obtain a so-called "gold" card and utilise its overdraft facility. The American Express Gold Card provides an

immediate overdraft facility of £7,500 at an interest rate of 24 per cent above the base rate of your selected bank.

The Barclaycard Premier card offers a similar facility, as does the Midland Gold card. There are both joining and annual charges however, and you have to be able to afford the cards in the first place. American Express Gold cardholders apparently have an average income of £34,000 a year—officially they must earn at least £20,000.

Dina Thompson



If you want to approach a building society or bank for extra credit make sure you do your homework first. There are large variations in rates for mortgages

Private investors move back into the gilt market

THE ESCALATING inflation of the 1970s made government securities like many other fixed-interest instruments, an appalling investment.

With the exception of one or two years, rising prices consistently outpaced the income on gilt-edged issues, leaving investors with a negative real (inflation-adjusted) return and frequently a hefty capital loss.

The only winner was the Government which found that although it was borrowing more and more its debt was actually falling in real terms.

But the past three years of generally stable inflation and high real interest rates have transformed the outlook and brought many private investors back into the gilt-edged market.

Stockbroker De Zoete & Bevan sums up the change neatly in its latest annual review of the returns on different investments since 1919. "Gilts—an excellent investment in the last five years, an appalling investment over 50 years," it comments.

That is not to say that an investor in gilts has done better than someone who got in at the price boom. But it does mean that he has frequently got a higher return than that offered by the building societies.

The key attraction of gilts is that they offer both the opportunity to lock into a fixed return and, unlike building society shares or National Savings, the potential for capital gains should the investment environment improve.

Conversely, however, avoiding a capital loss should the outlook for inflation and interest rates worsen may depend on the investor being willing to hold a gilt-edged security until its redemption date.

Whereas a sustained rise in the inflation rate would normally be expected to result in a parallel rise in short-term interest rates, the gilt-edged investor is locked in to his original return.

That return, commonly known as the net redemption yield, consists of both the annual interest payment, or coupon, and the difference between the current price of the stock and its value at the redemption date.

To take a typical example of a stock favoured by many high-rate tax-payers, the Treasury 3 per cent 1987 issue. At present you would pay just under £83 for each £100 of stock, and receive £3 per year in interest.

The yield is calculated by adding the interest payment to the guaranteed capital appreciation at the redemption date, to give an annual return in this case of around 9.2 per cent.

Since gilts are freely traded on the Stock Exchange, however, the investor in a stock can sell at any time before the redemption date.

If, for example, a fall in the inflation rate or a strong pound pushed down the general level of interest rates, the yields on gilt-edged stocks would normally fall, bringing a capital gain to existing holders.

An investor who bought the 1987 stock at the height of the sterling crisis earlier this year would have paid only £84.25 per £100 of stock, and the rise in the market since then would have left him with a capital gain

The size of the gilt-edged market—running into tens of billions of pounds—means that the investor has a choice of issues ranging from those with a life of only a year or so to those redeemable well into the early part of the next century.

In practice, however, because of the greater risks attached to long-dated stocks (who knows what the inflation rate will be in 1995?) that part of the market is dominated by institutions such as pension funds which have to match long-term liabilities.

Individuals tend to keep their money in short-dated issues. These tend to be less volatile, and to react to the same sort of influences as building society shares or National Savings.

More confident investors looking for additional potential for capital gain (and willing to take a greater risk in terms of losses) might buy medium-dated issues with, say, 10 years to run.

What type of stock an investor should choose—the central choice is between high, medium and low coupons and index-linked—will depend crucially on his tax position and whether he is looking for income or capital appreciation.

Savings in Government securities

A high rate taxpayer seeking to accumulate capital to provide for retirement would obviously go for a low-coupon stock where only a small proportion of the gain would be subject to income tax.

Gilts held for more than a year are exempt from capital gains tax and on those held for less than 12 months investors can ensure that only the appreciation after inflation is taxed.

The Inland Revenue announced recently that it was closing one loophole, known as bond-washing, which allowed investors to convert coupon payments into capital, but the tax treatment of gilts is still favourable as against other investments.

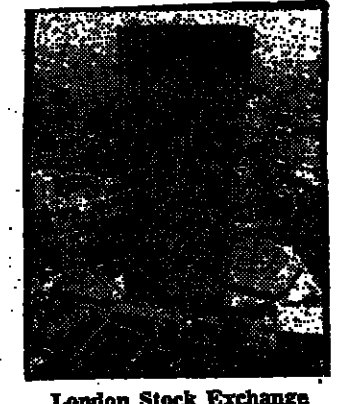
According to Alan Izard of broker Hoare Govett a typical strategy for a private investor might be to put funds in four different low-coupon stocks, maturing in consecutive years.

This would guarantee a tax-free capital gain each year and for the original investment to be rolled over with the purchase of another gilt as the first was redeemed.

An individual with no tax liability and wanting income rather than capital appreciation, would go for a high-coupon issue which would provide steady annual payments.

The Exchequer 10½ per cent 1987 stock, for example, priced recently at around £89 per £100 of stock, offers a net redemption yield of about 10.7 per cent. The return is higher than on a low-coupon stock because it has less of a tax advantage.

There are stocks with even



London Stock Exchange

would be expected to pay over par (more than £100) for each £100 of stock so the higher income would be at the expense of a small capital loss once the issue is redeemed.

Finally for the cautious and the pessimists there are index-linked stocks, which of late have shown that they can also bring a useful capital gain. The index-linked Treasury 2 per cent 1988 stock has appreciated by around 5 per cent since the turn of the year.

Index-linked pay a low rate of interest—typically 2 or 2½ per cent and the capital value rises in line with the inflation rate.

Mr Izard says that private clients are increasingly interested in the "very attractive total hedge" offered by these stocks.

Before putting money in any gilt-edged issue, whether conventional or index-linked, the investor should decide how he sees the outlook for inflation and interest rates over the lifetime of the issue.

Individuals buying stocks with three or more years to run, for example, should be aware that the market will almost certainly be affected by the outcome of the next General Election.

They should also remember that while inflation and interest rates determine long-term trends, the gilt-edged market looks at lots of other factors in deciding short-term movements.

These include the value of sterling, whether the Government is meeting its borrowing and money supply targets, and sometimes simply how much cash the big institutions have got to invest.

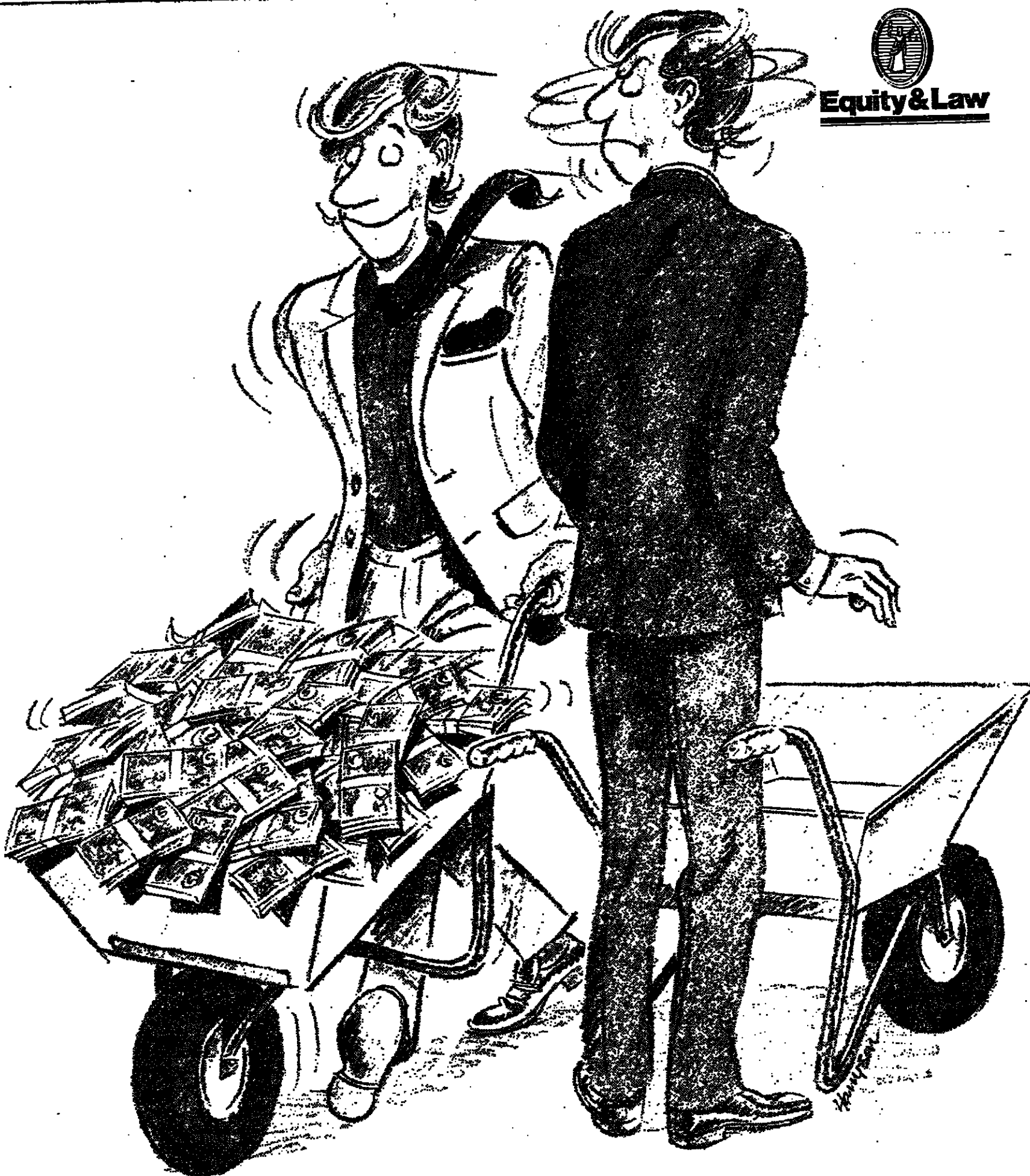
So what of the outlook over, say, the rest of this year? Most brokers are fairly confident that by the end of 1985 the gilt-edged market should be advancing as short-term interest rates and inflation are expected to fall. But they are less sure over the immediate outlook.

Specialist Stephen Lewis at broker Phillips & Drew believes that the domestic background to the market is still clouded by the strong pace of growth in the money supply, which means that interest rates will fall only slowly over coming months.

The sharp fluctuations in sterling's value on the foreign exchange markets also suggests that gilt-edged prices may be susceptible to similar swings.

So anyone buying gilts now must be prepared for a few ups and downs before the end of the year.

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Tops in football and toilet tissue, too

Second time around

Mike Smith begins a series on successful second careers

IN FOOTBALL, Francis Lee reached the top. He played 27 times for England, won medals at both level and set a record for scoring penalties which more than a decade later has still to be matched. His business achievements are equally impressive.

During the seven years since he left football he has turned F. H. Lee, the tissue manufacturing company he set up in 1971, into a business which employs 260 people and is worth more than £5.3m.

Since 1981 he has been building up a second company based on a technique he invented and patented for rapid painting of motorway crash barriers. Last year Highway Safety Systems had a turnover of about £200,000 and business was growing rapidly, especially in foreign markets.

Lee, now 40, has achieved this with the minimum of education and without the benefit of a business background. He left school at 16, before taking O-levels. His father was a manager in a weaving mill.

Francis Lee's string of successes began at 18, when he scored during his debut with Bolton Wanderers, his local team. Even after establishing himself in Bolton's first team he was always looking for work outside football but he says his business ambitions really took off when, at 18, he asked the club for a pay rise.

"The manager, Bill Ridding, told me I was too young," he said. "I left football, there is nothing for you. Remember, you are only a labourer."

"After that I decided to make sure that nobody would be able to say that to me again. I would make myself independent of football."

He opened a laundrette and a men's shop, both short-lived. Then he went into partnership buying and selling waste paper. The partnership did not last, but it enabled him to realise the potential in tissue conversion, the process of cutting, perforating and packaging tissue.

"In the summer I did some driving for the waste paper business, and I was able to look around a tissue factory to see how it worked. Tissue sales had grown enormously in the 1960s, but hard shiny toilet paper was still in wide use. There was obviously room for expansion."

Lee was right. UK sales of tissue rose from 396,000 tonnes in 1972 to 498,000 tonnes in 1983. F. H. Lee was one of the



Still on the ball: Francis Lee

main beneficiaries.

At the start, the company had one machine, bought by hire purchase for £15,000, and employed six people. It now makes 13,000 tonnes of tissue a year and claims 8 per cent of the consumer market.

Expansion continues. Lee won't say what profits he expects for the year ending March 1985. But he says turnover will be around £1.6m, £3.4m more than in 1983-84 when profits were £1.3m. This year he expects a £20m turnover, and in June the company will open a 200,000 sq ft warehouse and distribution centre in Trafford Park, Manchester, to add to its 180,000 sq ft Bolton factory.

Undoubtedly, the main factor in this growth has been Lee himself. Since retiring from

football in 1976 he has been able to devote more time to business, but even before then he was fully in charge of its day-to-day operation.

So, at the same time as he was setting his penalty scoring record (13 in the 1971-72 season) winning Football League Championship, FA Cup, League Cup and European Cup Winners Cup medals with Manchester City and Derby County, he was also buying machinery, arranging loans from banks and hiring staff.

More important, he was selling his products. It was only in 1980 that he appointed a sales manager, preferring to do the job himself before. In the early years he was the company's sole salesman. "Football fame helped. 'If you are well known it is an

advantage in making an initial sale, but after that the product has to stand by itself on price, quality and delivery service."

Soccer was also an advantage in providing capital. At the peak of Lee's career he was earning around £35,000 a year from football, never enough to fund all the company's expansion, but enabling Lee to plough a large share of the company's profits back into the business, particularly at the beginning when capital was scarce. He continued to do so after he left the game. In three years to March 1984, Lee spent £2.7m on fixed assets. Today he boasts one of the best equipped household tissue factories in the UK.

By 1984 F. H. Lee was selling to supermarkets and cash and carry companies throughout Britain; 85 per cent of its products, including, by then, cling-film and aluminium foil, sold under "own brand" labels.

It had a good name and when Hazlewood Foods of Derby began to look for acquisitions to enable it to diversify into non-food products, F. H. Lee was an obvious target.

After 14 years of running the company alone, Lee was ready to share responsibilities, and the two sides quickly reached agreement. He received at least £8.2m—more if profits continue to rise as turnover suggests—partly in cash, partly in shares in Hazlewood. He has stayed on as managing director and chairman of the company. If Hazlewood buys any other non-food companies he will manage them too.

And if he has trouble filling in his time, there is always his motorway barrier business. The idea came when driving down a motorway, he saw workmen washing down crash barriers by hand. "I thought there must be a quicker way of doing it, and then, if we could wash them we could paint them as well."

With the help of engineers he developed and patented a machine which can both treat for rust and paint the barriers.

That company employs six people. It has only two machines, but Lee believes the growth potential is enormous because of its safety implications.

Local authority cutbacks mean that most of Highway Safety Systems' business is abroad and it is there that Lee expects most expansion. "We are planning our European campaign for the summer," he says. "Sound's like football doesn't it?"

Where there's a will there's a way

By our Legal Staff

I buy and sell shares to a modest extent. I always retain a single share, after selling a holding, in order to continue to receive the annual reports and a supply of large re-usable envelopes. When I die my executor will be faced with a large number of single shares, which would cost a lot to sell or transfer. Is it permissible for an executor simply to ignore such shares, perhaps writing to the company to cancel further correspondence, or alternatively is it in order for me to write instructions into my will for such shares to be ignored? You would have to make an express provision in your will enabling your executor not to realise the shares you mention if you wish to relieve your estate from the burden of costs involved in selling or transferring them in the due administration of the estate.

Trust expenses

My aunt left a sum of money in trust for me that I should receive the income from the securities invested in this trust for the rest of my life. The trust is managed by her solicitor

who after the deduction of tax pays me out the net sum. From the net sum he charges me his charge for management of the trust. Can I claim the amount he charges me as an expense for tax purposes? Your gross income for tax purposes is 10.7% of the net amount which you actually receive so the solicitor's charges do reduce your taxable income assuming that his charges are authorised in your aunt's will.

If however, you are wondering whether you can claim a refund of 30 per cent basic-rate tax on the charges, the answer is unfortunately no.

Interest on loan

In July 1982 my husband made an interest-free loan of £20,000 to my mother. This was in effect to be used as a bridging loan to enable my mother to purchase a property near us; the money to be repaid on sale of my mother's home. For various reasons problems arose and my mother changed her mind about moving—the £20,000 was repaid to us in a separate bank account and it

earned interest of around £1,000 which she retained, and declared on her tax return. As my mother is a war widow and her pension non-taxable, the £1,000 interest did not bring her into a tax bracket.

For some unknown reason suddenly it appears that both our respective tax authorities have not together and are querying this transaction—they indicate that my husband is liable to be taxed on the £1,000 interest. Can you tell me if this loan is justified? I should point out that before making the loan to my mother we did in fact telephone our tax office and ask about any implications. At the time they told us the transaction was of no concern to them but that any interest my mother earned must be declared on her tax return.

The proposed assessment upon your husband is based upon Chapter III of part XVI of the Income and Corporation Taxes Act 1970. It is to be made under case VI of schedule D, therefore, whereas your mother would have been assessable on the interest under case III. The dicta in Inland Revenue v. Levy will help your husband in his appeal against the assessment, if it is made; but first he should draw the inspector's attention to the telephone conversation which preceded

the making of the interest-free loan. It may well be that the inspector will accept that, if he were to make a case VI assessment under section 449 (1) of the Taxes Act, he would be vulnerable to a complaint of maladministration (to the Parliamentary Commissioner for Administration, popularly known as the Ombudsman).

Delayed pension

My husband died suddenly on Boxing Day and I am still waiting for my State Pension. The DHSS had all the particulars on December 31. I am overdrawn at the bank and owe money to my relations. I cannot claim national assistance as my capital £10,000 approximately is over the limit. Would it be possible to claim compensation for the delay? Unfortunately compensation does not appear to be payable for the delay in paying your pension. You should however make a series of requests and complaints in order to chivy the Department into action. You might also care to enlist the help of your Member of Parliament.

Holiday deposit crash lands

I booked my summer 1985 holiday last March. A deposit was paid and the tour company was authorised to debit the writer's company credit card. I telephoned the same month to enquire when I might anticipate written confirmation only to hear a pre-recorded message that the company had ceased to trade.

I immediately contacted the credit card company, and informed it that I was of the opinion that my deposit was "protected" under the Sale of Goods Act 1977. I was informed that this was not the case (my card was taken up in 1978, viz after the Sale of Goods Act 1977).

The card company has now informed me that it believes I am referring to the Consumer Credit Act 1974, in which Section 75 gives certain rights for credit agreements. Company

cards it says do not fall within this category as payment is required in full on a monthly basis and extended credit is not given.

I was under the impression that I was covered by the Sale of Goods Act 1977 and it may well indeed be that I am also covered under the Act and/or possibly other legislation as well. To add insult to injury I contacted the Association of British Travel Agents and informed it that although the travel company ceased trading in March its brochure stated quite clearly that all holidays are covered by a financial bond provided by a bank and lodged with ABTA (valid and in force until September).

I have now been informed however that the operator resigned from ABTA in October 1984 and bookings after this date are not covered by ABTA

financial protection. It quotes from a letter of resignation "we shall of course inform all our clients and trading partners as soon as possible of our resignation, and withdrawal from circulation or overprint, any pieces of literature which bear reference to our membership (our 1985 summer brochure has not yet been printed)".

This letter was signed by the managing director. The fact is that I only obtained the brochure during March 1985.

To the extent that this brochure was misleading could you please also advise whether I can issue a writ against the managing director for misrepresentation. It appears that neither ABTA nor the credit card operator will assist me in obtaining my deposit back. What course of action can I take?

We think that there is no protection under the Sale of Goods Act 1977, as the contract was for a service or services, not for the sale of goods. It also seems that the credit card which you used may not enable you to seek protection under Section 75 of the Consumer Credit Act 1974. There was however a clear misrepresentation in the brochure, and the company would be liable to you for misrepresentation and probably the deceit. It may be possible to recover against the individual directors of the company for deceit and/or for conspiracy to deceive.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns.

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Arthur Sandles

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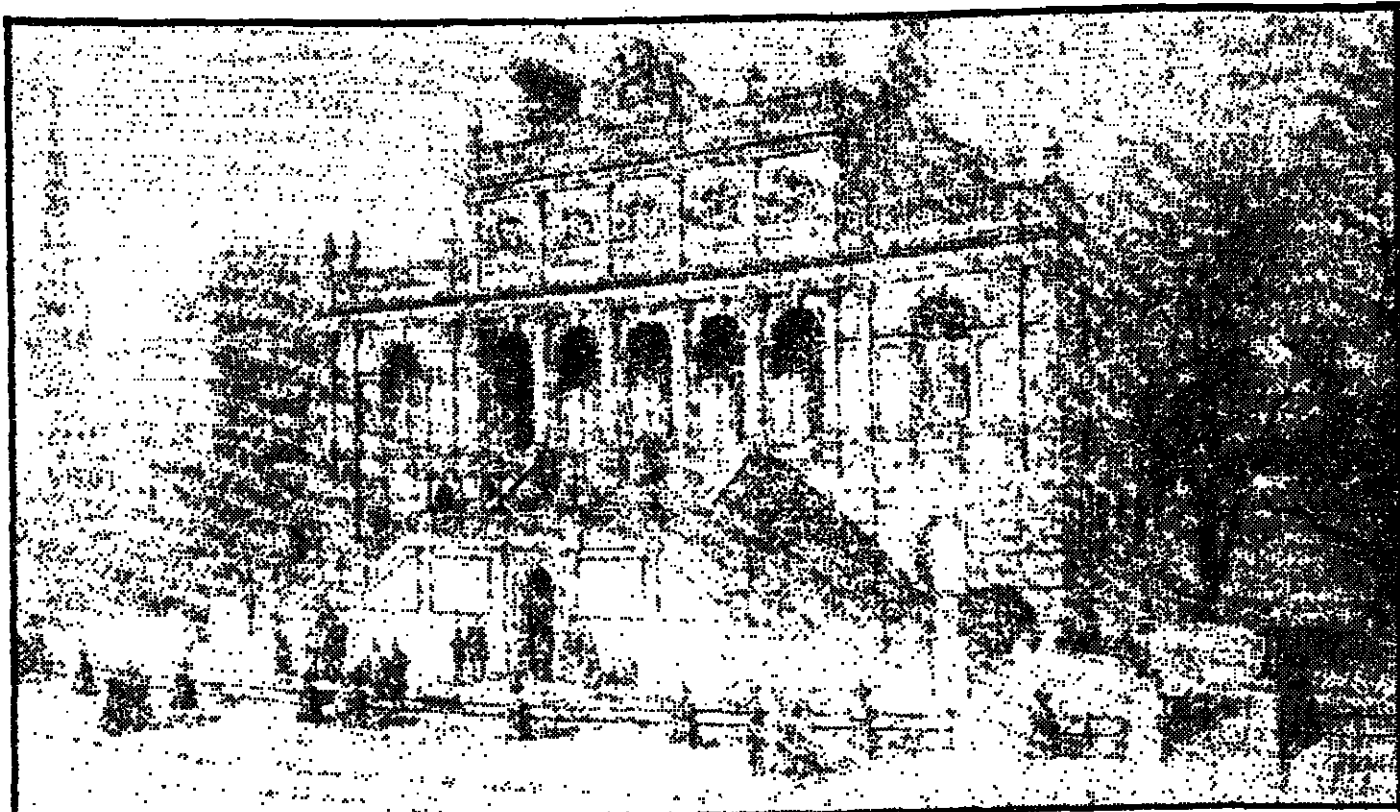
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The Fine Arts Academy, Bristol: a 19th-century study in a sale of architectural drawings at Sotheby's later this month

ARCHITECTURAL drawings and watercolours are comparatively new in the auction rooms. Originally purely utilitarian in intention, their intrinsic decorative attraction, as well as the associational interest they are likely to have, has been increasingly appreciated by collectors, and prices have risen markedly over the past year or two.

One attraction is that architectural designs can reflect so many stages in the concept and creation of a building. There is the scribble on the back of an envelope which must have been the embryo of practically every truly original notion (compare Joseph Paxton's doodle which was to grow and glitter as the Crystal Palace). There are the grandiose dreams eventually scaled down to reality, and the plain notions that develop larger ambitions as they grow. There are the finely finished perspective drawings designed to entice a patron, and the cold elevations and details to instruct builders and craftsmen. Designs for interiors and decorations; and architectural records of existing buildings also come under the heading.

The architect cannot dispense with an ability for visualisation, but not all great architects

have been great draughtsmen. Inigo Jones was a gifted artist, but Sir Christopher Wren had the utmost difficulty in committing his ideas to paper. This shortcoming in the great master gives a special, touching charm to Charles Robert Cockerell's "Tribute to Sir Christopher Wren" which is the star item of Sotheby's sale of architectural drawings and watercolours on May 23.

In line of descent from Inigo Jones and Sir John Soane, Cockerell (1783-1863) was one of the greatest architectural draughtsmen of the early 19th century, as well as the most eminent neo-classical architect of his day. In 1819 he succeeded his architect father as Surveyor of St Paul's Cathedral and developed an enormous design for Wren. Each of Wren's works, he wrote, "may be called the patriarch of a great race."

Out of this reverence developed his large watercolour "Tribute," completed in 1838, in which he creates a fantastic perspective of Wren's major works, including 33 City churches. It offers the Londoner an entertaining puzzle picture, he is challenged not only to identify the buildings, but also to pick out the Hawks-

moor churches included in error: architectural history has improved since Cockerell's day.

This genre of painterly entertainment, combining buildings from many different dates and locations, was not originated by Cockerell: it dates back at least as early as a French work, *Durand's Recueil et parallèle des édifices en tous genres anciens (Paris 1800)*. Cockerell, however, may be said to have brought it to its peak, with this picture and "The Professor's Dream" painted a decade later and now in the Royal Academy, in which he assembles the greatest buildings of ancient and modern times.

There must have been architects' drawings as long as there have been architects. In the First Century Vitruvius listed among the architect's qualifications, "a knowledge of drawing so that he can readily make sketches to show the appearance of the work he proposes." The earliest surviving body of designs for buildings, however, is the notebook of the 13th century French architect Villard de Honnecourt — which incidentally shows a precocious grasp of the principles of perspective drawings.

The earliest design on offer in

Sotheby's forthcoming sale is a late 18th-century Roman sketch for the decoration of a room. From the latter half of the century is a remarkable group of 14 beautifully precise and finished elevations for the Hotel de Saint Florentin and the Hotel du Garde-Meuble de la Couronne, Place Louis XV, Paris. The Hotel de Saint Florentin, commissioned in the late 1780s, now forms part of the American Embassy in Paris.

Most evocative for Londoners, however, is a perspective view, drawn in the office of the architect Andrew Mather, of the Odeon Leicester Square. Built in 1937, the Odeon, with its black glass tower, remains one of London's most striking post-Art Deco buildings. (A memorable act of vandalism the Rank Organisation tore out the magnificent original interior decoration some years ago).

A vivid impression, the watercolour shows a rain-drenched Leicester Square, the wet pavements reflecting the blaze of light from the doors of the cinema and the passing cars. To finish it off in style, the cinema marquee advertises Clark Gable and Joan Crawford in *Love on the Run*.

Janet Marsh

Archaeology

Prehistory pays dividends in pigs and eels



PREHISTORY, the study of ancient and not-so-ancient peoples who have no written records, is a fairly young academic subject, but one now as wide as the whole world. At a recent conference Eskimos, gardeners and pig farmers in New Guinea, eel rears in Australia, Indians in America, wine-drinking slave suppliers in pre-Roman France and many others, were enlisted to show that the sun never sets on the empire of prehistory. It may overlap at times with ethnography or anthropology, but that adds to its fascination, and may sometimes produce sounder explanations of the past.

The conference celebrated 50 years of the emergence of the Prehistoric Society from the Prehistoric Society of East Anglia. The earlier body had been much concerned with flint-collecting them, classifying them, discussing them, and going on trips to find more. In flinty country flint implements are a good source for the ancient past, but they are of less value where it is not flinty, or for later periods as metals became more common for tools and weapons. The flints of East Anglia gave way to a wider view in 1935, which was triumphant in 1985. Several pioneers were there to enjoy their triumph.

So where is prehistory nowadays? Its worldwide view, and the willingness to turn at last to such phenomena as the eels in South-East Australia (which were used both as plain food and for ceremonial exchange, as salmon and game still are), or accompanied by an almost unanimous view that everywhere life was different.

Close local studies are telling much of how we began to be where we are, especially by looking closely at what people lived on and how it could be stored. There are surprises. In North America it was only

around 400 that corn (maize) appeared. By 900 it had become the main food source. By 1100 it had virtually driven out nuts. Fish and shellfish were other possibilities, in the right places, and tubers, as Sir Walter Raleigh learnt. But in South China what mattered was rice, from the 5th millennium BC, which then spread into Korea and Japan, which also enjoyed nuts, ground for nut outlets. In North China millet and pigs go back to the 6th millennium BC. Pigs reached New Guinea 10,000 years ago. Did they swim? Or were they brought? That's not a joke for in the 19th century pigs were seen swimming the Malacca Strait. For the last 2,000 years pigs have been wealth in New Guinea, but not concentrated wealth, as the animals would be dispersed among wives and other women. New Guinea is instructive

since prehistory ended only in the last few years. Likewise in America history—and so the importance of personality and personal explanation—began only recently. Fort Harrod, at Harrodsburg in Kentucky, was the first permanent white settlement west of the Allegheny Mountains. It was founded only in 1774.

The impact of the advanced society travels ahead like a boom or bow wave, and is always in the best way. Australia's smallpox killed much of the aboriginal population within 40 years of the first white settlement.

Another such impact was that of the Romans in France (or Gaul) in the Early Iron Age before they conquered it, though the Greeks had been there earlier. The Graeco-Roman world may be seen as a prime mover for change in its

barbarian fringe, and it would seem there was often far more contact than we have record of before the eventual conquest or colonisation.

The Romans sent ahead Italian wine, which satisfied by merchants and landed gentry by opening new markets. In return they collected such Gallic (and British) commodities as slaves and metals. The wine was prestigious, and the amphora sherds in France and Britain show where it went.

Glass is important to modern prehistorians. They are trying to discover how class differences came about. Rich burials, broken wine amphorae or larger houses or huts are one way of showing it, but it is not so easy to detect archaeologically. The fact that the pigs of New Guinea were dispersed among various women, as we know from ethnography, makes it extremely difficult to identify the big men who actually owned the pigs. The same holds for ancient Athens, where there was little conspicuous consumption in the 5th century BC.

But prehistoric archaeology can be confusing as Professor Lewis Binford of the University of New Mexico, emphasised in discussing the Eskimos (modern hunter-gatherers of pre-agricultural type). We look at them with our knowledge of man over 1½ years. We look for progress, or for the genesis of capitalism, or social stratification or political institution, which in one sense are reasonable goals.

But what do the Eskimos say? They do not know if they are being progressive. Things we may classify as religious ritual, such as male initiation ceremonies, they may see as education. To everything they may say they could never have done otherwise. We are left behind in our igloos, pondering that it is always progress to show where something is wrong.

Gerald Cadogan

In the pink

Colour the light fantastic

AT THE age of three my brother started depicting pillar boxes and post office vans a deadly nightshade. His mother was beset with worry. Was the child autistic, depressed and retentive? Perhaps, said the specialist, but he was also colour blind.

He shares the deficiency with eight per cent of males and only half a per cent of females. Colour blindness is genetically sex-linked and for a girl to be so unfortunate both parents must be "colour defectives."

Colour blindness is incurable and, though not necessarily a health hazard, it can affect your career. Electronics, for example, can be hard to enter if you are colour blind.

My own sibling was turned down by the Parachute Regiment and most of the rest of the Services because he failed the sight tests. He also became a social embarrassment, sewing pink fur the thought it was grey on to his donkey jacket. Today he might have benefited from the wonders of science—a single contact lens called the X-Chrom.

Developed in America about ten years ago, the X-Chrom is a dyed contact lens designed to be worn in the non-dominant eye, enable the wearer to distinguish more colour. Both eyes transmit the images they receive to the brain which, the theory goes, is "deceived" by the X-Chrom lens into studying a wider range of colours for future reference. No one knows exactly how

the X-Chrom lens works and because of this, it has encouraged a lot of controversy among optometrists.

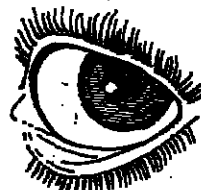
Most do not dispute that the colour vision of a colour-blind person changes when using the X-Chrom lens but many question the form and extent of this change. In addition, there are certain problems involved in wearing the lens. One of these is cosmetic. The red-tinted lens is visible in light-coloured eyes. But the advantages to those whose occupations require colour correctness arguably outweigh the problem of having two different coloured irises.

More serious is the loss of vision in the eye wearing the lens in poor light or at night. This can cause distortion when judging distances.

For this reason, the X-Chrom is not recommended for night driving," says Dr Steve Taylor who has done extensive research into the use of the X-Chrom at the Department of Optometry at the University of Wales Institute of Technology.

In spite of this drawback, he is very enthusiastic about the X-Chrom and thinks it is an effective aid to colour vision. "The degree of benefit from wearing the lens depends on the individual but most users of the X-Chrom find they have noticeable colour improvement after about a month. Since it was introduced, the lens has been successfully fitted to some 25,000 colour defectives.

At present it is available only as a hard lens but Cantor and Silver, the company with the manufacturing and distribution rights in Britain, hopes to produce a soft lens this year. Around 1.5m people in Britain wear ordinary contact lenses. These are soft, gas permeable or the original "hard" lens made of perspex, introduced after surgeons treating World War Two pilots with perspex fragments in their eyes observed how well the material was tolerated.



Sales of UK manufactured contact lenses alone have increased by over 13 per cent in Britain in the last five years, according to a survey of the Association of Contact Lens Manufacturers.

Research has also shown that among professional males under 34 years of age, 11 per cent wear contact lenses compared to 12 per cent of professional females. Later in life it seems the male vanity wanes and they tend to retrieve their specs, as in the 35-44 age group the figure for male contact lens wearers drops to only 4 per cent. For women however,

it remains at 12 per cent.

In a European league table, the cost of British-made contact lenses is comparatively cheap—second only to France. But by international standards the UK's eye care market is conservative. In the U.S., contact lens wearers make up 12 per cent of the prescribable population.

However, one in the eye for the American market has been a new tinted soft lens created by a British company called Igel Optics which uses a textile tinting technology. Igel is the first company to have its tinting process licensed by the American FDA. Previously, soft lenses were difficult to tint because of their high water content (up to 90 per cent). But Igel Optics is close to perfecting the impossible, a soft lens to turn brown eyes to blue. Managing Director Pravin Patel is enthusiastic about the prospect of looking like Paul Newman.

He says: "This new soft lens can turn even the darkest brown eyes to blue. We hope it will be ready in 1986 but we are also working on lightly tinted ordinary soft lenses which will make them more easily identifiable for the wearer and allows more oxygen to the eye. I estimate that by the end of the decade all contact lenses will be tinted in some form or other."

Nicky Smith

High-tech home

Leave your name and number

THE frustrating thing about a telephone answering machine is that so many people, too paralysed to talk to the device, ring off without leaving a message. How many can you recognise by the sound of their breathing?

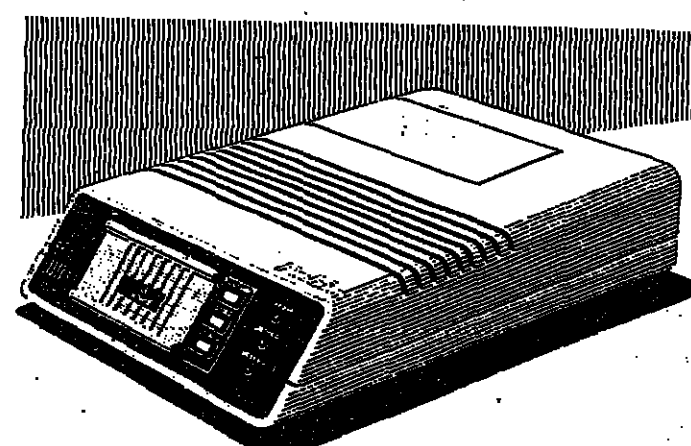
As any film buff knows, the Americans are much better at these things, and the answering machine or service is a vital part of their social life.

Anyone wanting an answering machine for the home can certainly get one for less than £130 and probably should not spend over £240 for a sophisticated model with some useful features.

All models provide the basic service—that is, they give a short message when they answer a call and then record whatever message is left on a tape—either standard or mini cassettes. With most machines you devise and record your own answering announcements although one company, Recordacall, uses voice synthesis—which means it sounds as if a computer is answering your telephone—as indeed it is.

The very cheap machines have only one cassette, which is used for playing the message and recording the caller. This means you have to record the answering message a number of times. The better models have two cassettes which is just for the answering.

Look for the limit on recording time. Some machines will give only 30 seconds to each caller. Some machines do not have proper cut-off devices and may record for several minutes after the caller has hung-up.



ing and remote control. With a monitoring facility you can let the machine answer while you are at home and it will play the caller's voice through its loudspeaker. If it is someone you want to talk to you quickly answer the telephone—if it is an old bore, a pressing creditor or the office you let them record their message.

Remote control means you can telephone your own answering machine from anywhere in the world and discover what messages have been left. Most

use a little bleeper the size of a cigarette packet, although some have complicated means of recognising voice instructions.

Most answering machines are made in the Far East and Panasonic of Japan has one of the best reputations. A recent issue of *What to Buy for Business* recommended its four models as best buys. Panasonic is about to launch four new models, two of which include a telephone handset—a growing trend which is probably better for office rather than home. The basic model without telephone, costs £119, and £139 with remote control.

This week British Telecom launched Robin, (£99.99) with remote control, the lowest priced machine with remote control. So far the major disadvantage seems to be that of all single cassette machines—the necessity of leaving multiple recordings of your answering message.

The two existing BT machines, the Osprey at £175 (no remote control facility, but two cassettes) and the Terp at £245 (remote control and two cassettes) are both well regarded. They are imported by Answer Calls and sold at the Consort and the Commodore and may be cheaper from some other outlets.

Other companies with products which are reasonably priced and well supported include Recordacall, Philips, Dictaphone and Abbey.

A real pointer to the future of answering machines as consumer items is that some branches of Boots and W. D. Smith are stocking them.

TEN OF THE BEST UNDER £250				
Model	Price	Remote	Monitor	Comments
PANASONIC KT-1406	£119	No	Yes	Not available until June
KT-1416	£139	Yes	Yes	Not available until June
BRITISH TELECOM Robin	£99.99	Yes	No	Single cassette only
Terp	£245	Yes	Yes	Same as Answercall Commander
ANSWERCALL Secretary	£169	No	Yes	Records maximum of 30 mins
Prince	£209	Yes	Yes	
MINATONE Phonorecorder	£129.95	Yes	Yes	Not very rugged
RECORDACALL Micro 1090	£139.95	Yes	Yes	Voice synthesis, made in UK
625AT	£139.95	No	Yes	
625AT	£139.95	Yes	Yes	Remote changing of message

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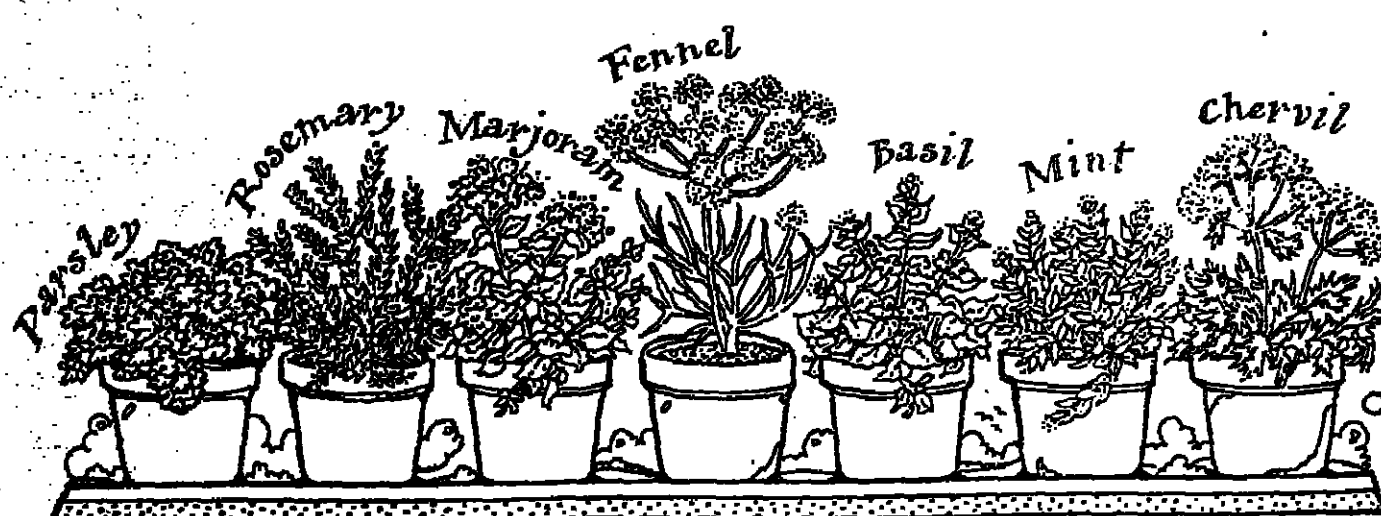
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DIVERSIONS

Lucia van der Post



Flavours to savour

HERBS: How to buy them—how to grow them—how to use them

WHEN IT comes to Concorde and space shuttles, missiles and micro-chips, we may know a thing or two, but if we turn to herbs we're not a patch on primitive man. Long before records were kept ancient man could keep himself alive and moderately well by judicious use of wild herbs for food and medicine.

Today I think few of us would recognise more than a handful of the 500 plants and herbs listed by the Greek physician Dioscorides in the first century A.D., still less be able to match the erudition of John Gerard or Nicholas Culpeper, England's most famous herbalists.

But herbs are coming back. Rose and sage, thyme and parsley were never out of favour, but as more and more of us become disenchanted with preservatives and artificial flavourings, a wider range of herbs is being cultivated. Renewed interest in herbs has gone hand in hand with the passion for conservation. Gardeners are keener on establishing (or reviving) old-fashioned herb gardens culling ideas from medieval "physic" gardens and copying 17th century "knot" gardens. Those with smaller plots to play about with experiment with more exotic herbs than the commonly used culinary ones.

As demand has risen so it has become easier for enthusiasts to buy plants, both rare

and everyday. The Herb Society is a must for any real fan—for a fee of £9.50 per annum members have access to information related to all things herbal. For instance, it maintains a list of herb farms and suppliers specifying which of these deal by mail or those offering Herb Society members a 10 per cent discount. It also publishes details of suppliers of dried herbs (should your own plants be less biddable than the gardening manuals imply).

It issues a quarterly review full of learned essays like "How Shakespeare used herbs," as well as more practical matters. For a stamped addressed envelope the society will send members a leaflet with plans and planting instructions for

four different formal herb gardens (taken from Alderley Grange, Barnsley House, Claverton Manor and Cranborne Manor).

The Herb Society is at 77 Great Peter Street, London SW1. As it is a charity, the society earnestly asks readers always to enclose a stamp when asking for information to be sent.

If you want what I think is called "hands on" experience, Francis and Lucy Huntington run gardening courses of all sorts at Hetherst, Colchester, Essex. Their courses are held on a 10-acre site (tel 0223 549000). There is a two-day "Growing and Using Herbs" course next week (May 14/15), and another one in September (Sept 28/29). There are still

some places left for next week—but hurry. The price is £39. When it comes to buying herbs, several nurseries now send a wide variety of plants by mail.

Hollington Nurseries, Wootton Hill, Newbury, Berkshire, is generally agreed to be one of the best and most adventurous. It sells over 400 different varieties and stocks more than 100,000 plants. Besides 14 different types of sage, 12 mints, and no fewer than 38 different thymes, it now also sells sweet-scented herbs.

The nursery can be visited every day in the summer from 11.00 am to 5.00 pm. In winter (October to March) it is closed on Sunday. It is well worth going to see the nursery if

you can: set in a two-acre walled garden, it has long rows of tender plants under glass, and you can also see a formal herb and patio garden and a water and knot garden. For the illustrated catalogue, send £1.

Sutton Herbs, run by John and Caroline Stevens at Savoy Farm, Little Cornard, Suffolk, is another interesting company. It sells a vast range of seeds by mail, but plants can only be bought from the farm itself, and only on Saturdays. Besides culinary herbs in great profusion it also has a good selection of

recreational varieties—like Verbena or Arica Montana (and the thank for bruses). For at Little's £5p and no more than 60p (the price of the seeds) you could soon be on your way

to a new and fascinating hobby. Send a ssc for a catalogue.

Down in Dorset there is Silent Woman Herbs, run by Emma Hayter of Coldharbour Farm, Buxton, Dorset. Emma Hayter sells only fresh herbs ready to pot out into your own garden: she offers some 50 varieties. Her specialities are fresh Basil (of different varieties) and French tarragon. She will sell by mail.

If you have no room to grow your own it is worth noting that vegetable shops and supermarkets are beginning to sell a wider selection of fresh herbs. Waitrose seem best, selling anything up to 16 or 17 fresh herbs at a time. For Londoners, Justin de Blanc, at 144, Ebury Street, SW1, sells between 30 and 40 different herbs, in pots, throughout the year; and at 42 Elizabeth Street, SW1, he sells about 10 varieties of fresh cut herbs.

If your herbs are sufficiently flourishing for you to have some left to preserve, most experts seem to agree that freezing is best. Only sage, rosemary, bay, mint, lovage and marjoram dry well—others are liable to turn into dust. Basil, chervil, dill and tarragon all freeze well; so do sorrel and spinach. Either pick the leaves off at the stems, put in small plastic bags and freeze; or chop the leaves, mix them with water and pour into ice trays. The cubes can be melted whenever you need them. Leafy herbs like spinach and sorrel can be blanched first, then frozen. Parsley does not freeze well but Arabella Boxer and Philippa Black, authors of *The Herb Book* (Octopus, £7.95), as admirable a combination of charm and authority as the subject requires, recommend chopping the herb, then wrapping it in small, ready-to-use amounts in screws of foil or tiny plastic bags. This way it thaws quickly, and is ready to use immediately.

Lucia van der Post

Gardening

The myth of the window ledge

WRITERS on herbs frequently tell their readers how easy it is to grow them in pots on the kitchen window ledge. I wonder if they have ever tried. Yes, one can grow a pot of parsley easily enough, but there will scarcely be parsley for more than a couple of dishes. One could have a little bay tree—treated rather like a Japanese bonsai specimen—for a year or so, and that could be amusing, maybe. Of some use, for one seldom needs more than two or three bay leaves at a time. But just imagine fennel in a pot with great thongy roots seeking to delve three feet down. Or wandering mint, going round and round in circles until it strangles itself. Or lovage, which can easily reach six feet if you give it its head.

A window box is a bit more hopeful. If it is a roomy one, it will contain enough soil to give many of the smaller herbs, like thyme, marjoram, the basil and the like, a fair chance of success, provided they are regularly watered and fed.

A large plant container of the trough type, standing firmly on the ground, is better still. But best of all is a bed in the open, even if it can only be a tiny one. There will be contact with the subsoil and constant movement of moisture up and down to keep roots moist, even when one is away from home; and to ensure that surplus water drains away. Plants in the open take far less looking after than plants in containers, though it is sometimes difficult to say what makes the difference.

It is because of these uncertainties that it is necessary to prepare container composts with so much precision, whereas almost any soil in a bed can be made useable by cultivation and

the addition of peat or manure, and perhaps a little fertiliser.

If a container is the only option for herbs because no open ground is available, what kind of compost should it be filled with? My own choice would be a soil-based compost despite the difficulty of getting one containing enough fibre. The John Innes formula is used about this. The loam used must be good and fibrous—which means full of grass roots partly decayed but with enough structure to keep the soil porous. Nowadays the "loam" is often any soil that can be obtained from road works or building sites, and the resultant compost may settle down into a solid mass after a few months in a container.

The remedy is to add more peat before using it. How much? That depends on just how "fibre deficient" the compost is. The ideal way is to keep adding peat until the compost, when rubbed between the hands, has a soft, velvety feel. But that takes a little experience so, as a rule of thumb, I would advise adding at least a quarter of the total volume of compost, one bucket of peat to four of compost.

Some of the herbs you will want to grow must be raised from seed but are probably best purchased as small plants because of the saving in time and the greater certainty of success. Herbs to grow from seed include angelica; the two basil, sweet and bush; borage; caraway; chervil; the pot marigold or calendula; coriander, dill, parsley, purslane, summer savory and sweet marjoram. Most can either be sown directly where they are to grow, or in pans in a frame or greenhouse, or on a sunny window ledge in

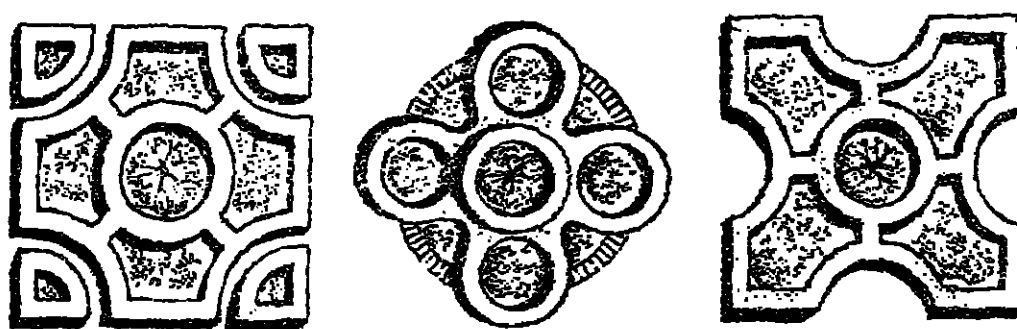
April or May. The basil really need more time and are sown in a temperature of 15 degs C (59 degs F) in March. Herbs purchased as plants will almost certainly be supplied in small pots from which they can be planted any time. These perennials include balm, bay, chives, fennel, hyssop, lavender, lovage, pot marjoram, mint, rosemary, rue, sage and thyme.

Herbs lend themselves to decorative treatment. Chives and parsley make decorative edgings to beds, and so does Miss Jekyll's dwarf Munstead lavender. Thyme can be clipped both as an edging and to make "knots" or compartments, each filled with a different kind of herb. If you want to follow the patterns which early knot-makers used to copy from embroidery you can use green and golden leaved thymes to get the in-and-out, under-and-over effect.

Fennel is delightfully feathery and has a handsome bronze-leaved variety. There is a cheerful golden-leaved marjoram, and several different savages with variously coloured leaves. A white variegated variety of apple mint is available, and also a golden-leaved balm. Some specialist herb nurseries will prepare plans for herb gardens to suit personal requirements.

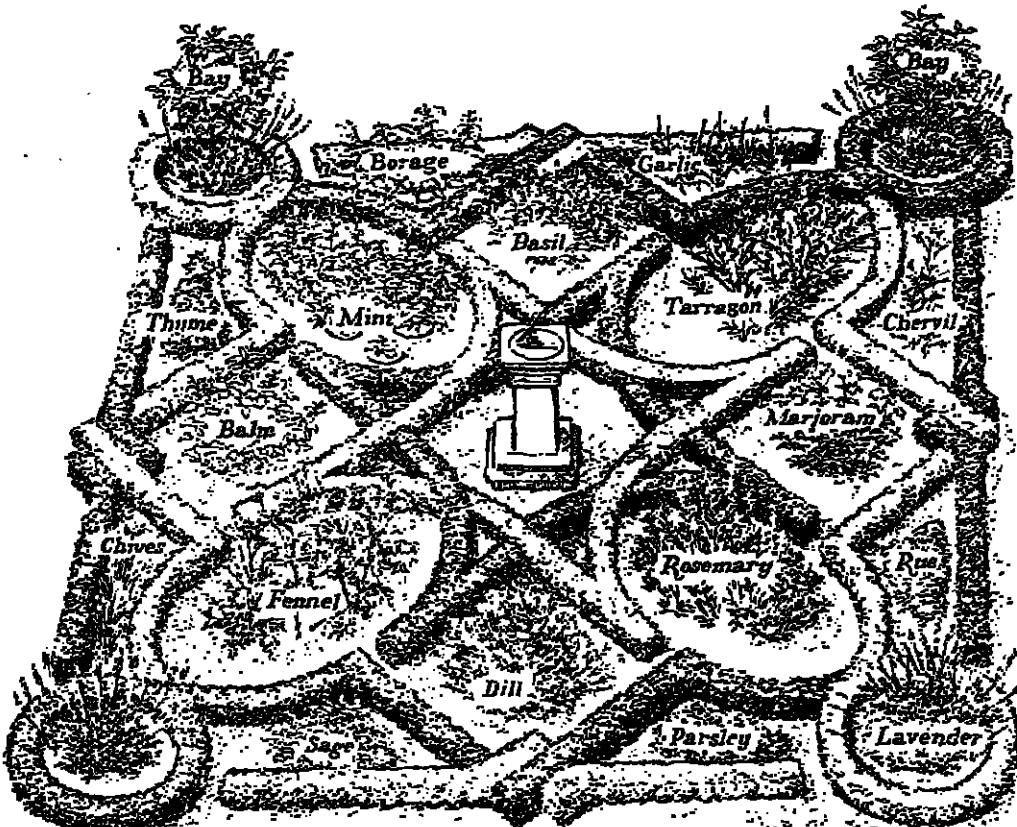
There is no need to plant herbs separately if you prefer to include them in flower borders; they will mix admirably with purely ornamental plants. Do beware of all mints. Mints can make a takeover bid for the whole place, and really need a place to themselves where they can be controlled with a sharp spade or weed killer. I use Tumbleweed to keep them from straying too far.

Arthur Hellyer



Above: three suggested plans for herb gardens. The middle one is an adaptation of a brick design by Gertrude Jekyll, the two outer ones are

based on decorated tiles and are taken from The Book of Herbs by Kay N. Sanecki (£6.95, published by The Apple Press). Below a suggested layout for herbs based on an Elizabethan "knot" garden. Two colours of box-hedging should be used to achieve the interlocking knots.



Drawings Peter North

Cookery

The joyous taste of summer

To use herbs mealy is to deny their pleasurable virtues. The ubiquitous single sprig of parsley used to decorate food often seems little more than automatic reflex action on the part of the cook, perfunctory close to garnishing for the sake of garnishing.

Garnishes worthy of the name make a real contribution to good eating—adding to the flavour, texture and aroma of a dish as well as pleasing the eye—and fresh herbs with their lovely flavour, sweet scents and good looks are admirable for these purposes.

Roast duck and lamb are, for example, glorious if served on a bed of fresh mint, handsome and enticingly scented. Best of all, when the joint is carved the meat juices trickling through the herbs produce a delectably aromatic gravy.

Plain buttery roast chicken is similarly irresistible if served on a dish strewn with branches of tarragon, and baked sea trout on a bed of fennel or dill. Fried fillets of Dover sole are particularly good if garnished with generous bunches of parsley that have been fried to a frizzly crisp emerald green.

I am wary of recipes that suggest using a mere teaspoonful of herbs. Unless the herb is obtrusive (like rosemary), such gnat quantities are almost meaningless and just not enough to give a dish savour.

I am even more wary of instructions to mince or to chop herbs very finely. This ruins their looks and encourages the speedy evaporation of moisture and flavour, reducing them within seconds to a mass about as appetising as old lawn clippings.

Several large spoonfuls or a small bunch of herbs is rarely too much—a bunch about the size of a nosegay of violets, as Edouard de Pomiane so beguilingly put it—and they should be chopped fairly coarsely so that they retain juicy flavour to bite into.

Basil, mint and rosemary are, however, best treated in other ways. Because the tender leaves of basil and mint are easily discoloured by metal blades, it is preferable to tear them with your fingers. Rosemary is best bruised with mortar and pestle to soften its spikiness.

Taking a leaf from their book and abandoning the timid approach, I have discovered that handfuls of parsley make an exquisitely flavoured chicken dish which is perfect for serving on an English summer's day.

To make lemon and parsley chicken, first colour four chicken joints, preferably breast meat or thigh, in a non-stick frying pan. Drain the pieces well and transfer them to a

shallow dish which will hold them snugly in a single layer. Make a sauce with one tablespoon each of butter and flour and a scant half-pint of thick cream. Stir in an ounce or more of chopped parsley, 1-2 tablespoons thyme (preferably lemon thyme), the finely grated zest of a lemon, four or five chopped spring onions and about quarter of a chicken stock cube.

Bring the sauce back to simmering point and pour it over the chicken. Cover tightly and bake at 350F (180C)—gas mark 4—for 75 minutes or so until the chicken is perfectly tender. Serve with tiny new potatoes steamed in their skins and perhaps a salad on the side.

Of all foods, salads are perhaps most evocative of summer eating—and they are marvelous vehicles for herbs, which are shown off to brilliant effect by the gentle flavours of things like cucumber, lettuce, peas, beans, potatoes, pasta and rice.

Old English Herb Sauce is a particularly pretty salad dressing. To make it, pound to a paste the yolks of two hard-boiled eggs and two tablespoons thick cream. Gradually blend in two tablespoons olive oil, then two teaspoons vinegar and a tablespoon each of chervil, chives, tarragon and dill.

Another excellent, speedy and healthy mixture is Fresh Herb and Tomato Sauce. Skin 1 lb tomatoes. Put half of them into a blender and reduce to a purée with four tablespoons olive oil, a crushed garlic clove, a pinch of sugar and a squeeze of lemon juice. Chop the remaining tomatoes by hand and stir them into the purée together with a least four tablespoons chopped parsley and three or more each of mint (or, better still, basil when in season) and chives.

This sauce is perfect for pasta shapes such as penne, and it is one of those useful dishes which is equally good served hot or cold.

As an alternative to incorporating herbs in a dressing, they can be scattered directly over the salad. For example, a few tart sorrel leaves (roll them tightly into a cigarette shape and snip them across into ribbons) and a few whole leaves of peppery rocket (or delicately sweet angelica leaves) make dramatic additions to soft buttered lettuce or a potato salad dressed simply with vinaigrette. (Incidentally, the inclusion of herbs and the use of good olive oil in a salad mean that very little other seasoning is needed—a point worth noting if you are trying to cut down on your salt intake.)

Snippets of lovage, with their

intense celery flavour, and just a few leaves of pungent eau de Cologne mint are another exhilarating combination. Even more spectacular are salads scattered with herb flowers such as the purple onion heads of chives, cucumber-cool blue borage flowers, the cross-like petals of red and yellow nasturtium, and the slightly astrigent petals of pot marigold. Borage is also delightful sprinkled over a dish of strawberries as that great gardener, John Gerard, advocated, and marigold petals add a glorious finishing touch to rare roast beef mayonnaise.

I have found, for example, that grapefruit sorbet takes on a refreshing new dimension if a handful of mint is included in the mixture. Mint also adds a gentle aromatic savour to an Egg and Cheese Double Crust Pie which is just right for summer lunches in the garden.

Line a deep 8½ in pie plate with shortcrust pastry. Beat together 1 lb curd or cream cheese, 2 oz grated farmhouse cheddar, five tablespoons each fresh, chopped parsley and mint, two of chives, and some salt and pepper. Spread the mixture over the pastry base and make four hollows in it with the back of a spoon. Break an egg into each hollow, scatter with a little more mint and cover with a pastry lid. Bake at 425F (220C) gas mark 7 for 40 minutes, covering the pastry with a circle of greaseproof paper if it browns too fast. Like quiche, this is best served warm rather than piping hot from the oven. A tomato salad goes well with it.

Philippa Davenport

Dazzling looks for the glitterati

ALTHOUGH SOME designer-made jewellery is astonishingly good value, it is often costume jewellery that turns out to be a poor girl's best friend. Link-up, however, is an honourable exception. It is a bright new young company (consisting of Rhona Sutton who is 22 and twins Peter and Michael Waterman, who are 26) offering an awful lot of dazzle for very low prices. It has set out deliberately to provide strong, contemporary jewellery with a high-fashion look at middle-of-the-road prices.

It specialises in what you might call the witty, wacky end of the market, providing just the glittery black tin how-tie to liven up this season's shirts or the dangling shiny earrings that are frankly and gloriously fake. Do not look to the team for restrained good taste—heing noticed is what it is all about.

The drawing here gives a very good idea of some of the best of its current designs. Long-drop earrings—twinkles style—are made of tin (it's wonderful what they do with this previously despised metal) given an antiqued-silver finish and enlivened with glass stones and a big pink stone at the top, £25 for the pair. More twenties-style shapes in the earrings, with the triangular base topped with a large fake pearl—these are £17.50 the pair. The crescent-shaped brooch has a silver-plated look and it is enlivened with crystal and pink stones, £25.

The witty how-tie is made from black painted tin and is embellished with a few shiny bright glass beads, £9.

Gloriously dandy earrings are once again made of tin, given an antiqued finish and set with many small imitation pearls, £25.

I have only one caveat about the designs—those with (tender pierced ears may find the rather coarse hooks off-putting).

Link-up jewellery, though extremely new, has already found its way into large numbers of department stores including Fenwick of Bond Street and Manchester, Selfridges of Oxford Street, Harvey Nichols of Knightsbridge and Debenhams and Jones of Regent Street. It is also to be found in good department stores out of London.

LvdP

Clare Brooks

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BOOKS

Painter in the bravura world of Augustus John

HENRY LAMB: THE ARTIST AND HIS FRIENDS
by Keith Clements.
Redcliffe.
Bristol. £16.50, 305 pages

ALTHOUGH Virginia Woolf, while she was composing her sympathetic biography of her old friend Roger Fry, assured her sister Vanessa Bell that, "had Bloomsbury produced only Roger," it would still "be on a par with Athens at its prime." I doubt if many of her modern readers are likely to agree that drab Gordon Square, around which most of the Bloomsburians congregated, was ever the intellectual equivalent of the Athenian city-state.

Today, our view of its citizens' virtues and vices is much obscured by an enormous barrier of books, often the work of earnest American scholars, that already encompasses the subject; and we are some of us beginning to wish that a moratorium in Bloomsbury studies might before long be definitely announced, and that, once established, it would last at any rate until the year 2000, when some entirely new material—facts and opinions rather than gossip and love-stories—may perhaps have come to light.

Lesser-known personages, however, who lived on the outskirts of the group, provide an interesting field. Arthur Waley, for example, the brilliant translator of Chinese and Japanese texts, whose name seldom occurs in Virginia Woolf's diaries—and, where it does, is usually accompanied by a slight subacid sneer—has not yet had the biography he deserves; while Henry Lamb, though he immortalised Lytton Strachey, has been similarly neglected. Keith Clements is his first serious full-length biography. The artist was last described some six decades ago, but then in a slim volume, consisting largely of plates, which he himself regarded as "a very premature affair."

Henry Lamb: The Artist and his Friends is a thorough-going survey of the artist's work and life against the background of the period. The son of a professor of mathematics, he deeply detested his birthplace—he was "in no hurry to go to Manchester," he wrote during his middle-age, since it would involve "a return to my greatest and most seismatic vomit"; and, having attended the nearby medical school, he set out the earliest opportunity of escaping to London, where he met Augustus John. The

handsome young Welshman's arrogant bravura, "painterly panache" and bold opinions on art and life immediately appealed to him; and his earliest and best drawings show the strength of John's example. Two are reproduced here—a splendid self-portrait that gives him the look of a Renaissance satyr, scrutinising beneath arched eyebrows an attractive local nymph; and a delicate impression of the girl, Nina Forrest, renamed by her admirers "Euphemia," whom he was very soon to marry.

Euphemia turned out to be a femme fatale of a particularly difficult and dangerous type; but she was also an unlettered goose, as painters' wives and mistresses have often been; and Virginia Woolf, always fond of observing and ridiculing her inferiors, has left a vivid record of her conversation:

"Well, Nina. Are you married?" "Nina: 'Oh no, I'm not married. That is I am married. I think I was married yesterday, and I was so hungry the whole time, and I had a new blouse, and a cake.'"

Once Euphemia had vanished, she was replaced in the artist's affections by a series of somewhat more distinguished loves—Rupert Brooke's Dulcinea, Ka Cox; the famous Dora Carrington who became his favourite confidante; the still more celebrated Lady Ottoline Morrell, to whom he addressed passionately romantic letters, headed "Dear Spouse" or "My angelic mother"; and Augustus John's wistfully decorative wife. The last, we learn, was a relationship that her husband had originally encouraged, because he imagined that poor Dorella flourished "under Henry's sunny influence," but after wards led to a breach which was never completely healed.

Lamb himself inspired love; and one of the strongest passions he aroused was in a member of his own sex, the endlessly amorous and flirtatious Lytton Strachey. It was returned; the artist's inclinations appear to have been resolutely heterosexual. But he was fond of the writer, enjoyed his companionship and was evidently not averse from teasing him, with the result that he painted the admirable picture that now hangs on the walls of the Tate Gallery, and is half an affectionate tribute to his friend's eccentric charm and half a caricature. That canvas and his portrait of Evelyn Waugh in 1939, when the young novelist was still completing

Vile Bodies, slender, bright-eyed, wearing a rough tweed coat, smoking a large pipe and holding a glass of Guinness, are undoubtedly his masterpieces.

Keith Clements divides his attention between his subject's professional gifts and the artist's high-strung personal character. Lamb was never an easy-going or invariably good-tempered man. Of his executive talents there can be no doubt; if not what is called "a great painter," he was certainly a fine technician. But his character had a contentious, aggressive side; he is described as having a sharp "waspy" tongue, and frequently quarrelled with his former friends.

Towards the Bloomsburian group, apart from Lytton Strachey, the attitude he presently adopted was critical and even hostile. "I got suffocated by those people," he declared; and, on a visit to the South of France, he announced that, although the place itself was agreeable enough, "the skeletons of several dreary Rogers and other Bloomsbury wraiths dancing in company" across the scene incessantly distracted him. For Duncan Grant he had very little use. Clive Bell he heartily despised; and the aesthetic doctrines of "the Clive-Fry coalition" he indignantly rejected. Among his fellow artists, he was most attached to Stanley Spencer, though Spencer's constant demands for advice and sympathy, "perennial preoccupation with his own problems" and egocentric "babbling and seething" were often hard to bear.

Every reader who is interested in early-nineteenth-century English art will appreciate the wealth of information, accompanied by many admirable photographs, that Lamb's biographer has crammed into



Henry Lamb—a self-portrait

his pages. The book's chief defect is the author's prose style, which is apt to become annoyingly awkward and diffuse. He presents, nevertheless, despite these shortcomings, a life-like portrait of the sinner

and casts some illuminating sidelights on the background of the period. It was a hopeful, enthusiastic age. Lamb's contemporaries genuinely believed that they were laying the foundations of a second Athens.

They were disappointed, we know; but in 1985 we are bound to envy the high-spirited optimism with which they set about their work.

Peter Quennell

Cambridge Russian who went home

KAPITZA, RUTHERFORD AND THE KREMLIN
by Lawrence Badash.
Yale.
U.P. £2.00, 127 pages

PETER KAPITZA was a young Russian physicist, who came in 1921 to the Cavendish Laboratory in Cambridge to work under Rutherford, though not on nuclear physics. His work was concerned with the effect of intense magnetic fields on matter at low temperatures. This work needed equipment which, for the time, was unusually heavy and expensive; it was the natural area for a man like Kapitza, who, besides being a first-rate physicist, had an engineer's training and outlook. Kapitza's approach differed from Rutherford's "string and sealing-wax" methods, but he gained Rutherford's support, which led eventually to a special laboratory, the Royal Society Mond Laboratory, being built for him.

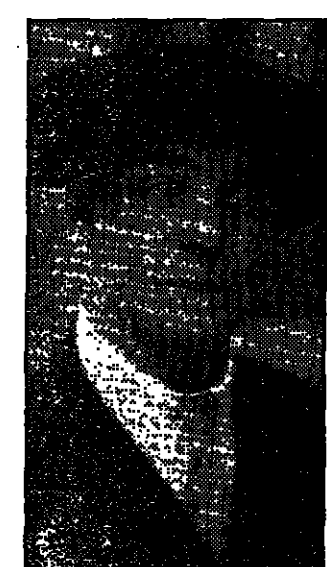
Kapitza seemed to be a fixture in Cambridge, as a Royal Society professor, a fellow of Trinity College and later a Fellow of the Royal Society. He created the Kapitza Club, for many years the physicists' main discussion forum in Cambridge. All this time he remained a Soviet citizen, and intended ultimately to go home when his maturity as an individual and conditions in his country made this seem opportune. He returned most summers to Russia, and he seemed to have

the unusual privilege of coming and going without formality, a privilege granted to few people other than diplomats and government officials.

It was therefore a great shock to Kapitza and to his Cambridge colleagues when at the end of his 1934 summer visit to Moscow he was told that he could not leave because the Soviet Union needed him. The next 12 months or so form the period described by Lawrence Badash, after a brief sketch of the background. Although his book, Kapitza, Rutherford and the Kremlin, spans only this short period of 1934-35, it is of absorbing interest to anyone concerned with the freedom of science, the fate of the individual scientist, or the conflict between international relations and national needs.

Rutherford's first reaction was to try personal appeals to the Soviet authorities to change their mind, and only when this did not bring any results to make public protests. Finally, when all this failed, his efforts concentrated on getting reasonable working conditions for Kapitza in Moscow, including the transfer of his specialised equipment.

Kapitza's wife Anna had returned to Cambridge to her children, and there was an intense exchange of letters with her husband. Anna passed many of his letters to Rutherford, presumably in her translation. Extracts from these letters form the core of the book. They make a fascinating



Kapitza on degree day

story revealing at first hand Kapitza's reaction to events.

He was in general a supporter of the Soviet regime and approved of its efforts to raise standards of education, science and industry. But he was indignant about the peremptory way in which he had been treated and about the bureaucracy. Kapitza did not see how he could continue his work in Moscow, not only because of the shortage of equipment and qualified help, but mainly because the authorities did not seem to trust him. He complained that, while a reorganisation of the Academy of Science

was being discussed, on which he was qualified to make constructive suggestions, his advice was not asked for, and when offered was ignored. He insisted for a time that he would do no more physics, but would learn physiology, for which no large equipment was required.

Eventually they decided to build a laboratory for him in Russia and his Cambridge equipment was transferred or copied; two of his Cambridge staff were sent to Moscow to help get the new laboratory started. He then settled down, and developed the laboratory into a centre of excellence, and he did work there for which he was later awarded the Nobel Prize.

The letters are accompanied by full notes explaining the episodes and people mentioned in them. Other sections describe the situation as seen from Cambridge, and speculate about the motives of the Soviet authorities for their action, which was possibly based on an overestimate of what Kapitza's engineering genius could do for the country's industry. On these latter questions there must, of course, remain more uncertainty than about Kapitza's or Rutherford's views, even in the hands of a historian of the standard of Prof Badash.

The book makes fascinating reading, and it is a pity that the costs of publishing now make the price of such a slim volume so high.

Rudolf Peierls

When Reuters changed hands

THE PRICE OF TRUTH: THE STORY OF THE REUTERS MILLIONS
by John Lawrenson and Lionel Barber.
Mainstream. £8.95, 192 pages

HERE it all isn't: the full story of how the far-sighted management of Reuters achieved its brilliant success in spite of its soporific Board; the extent to which luck bore them along; the inner workings of the now fabulous Monitor service; a true understanding of the international markets that were first served and subsequently enhanced by the ubiquitous Reuters screens; the explosion on to the rich quarter of the globe, and beyond, of an entire new industry, based upon communications technology, that is creating jobs and wealth beyond the reach of earlier new communications industries, such as the canals, or the railways.

Now you and I know the bare bones of all this because we've read about it in the newspapers. For one would like to know a great deal more. If one has the faintest interest in the roots of the growth of major enterprises within a capitalist economy the full story of the development of the modern Reuters should at the least be instructive and at the most fascinating. Alas, what we have here is a failure to instruct, a promise to fascinate and a tendency to disappoint.

For a start, two-thirds of the book is about the period before the Monitor. The origins of the news service, in a commercial cable network linked by pigeon post, and the subsequent years of balance-sheet brinkmanship as Reuters grew to become a cheap form of gathering foreign news for the British press, are well covered. The book is well written, and offers the best service to

(subsidised by the Commonwealth press) are sufficiently recounted elsewhere. The war years, during which a little bit of the agency's virginity was traded for a Government hand-out, are portrayed in sharper focus than heretofore, since these pages do show evidence of a diligent dig in the official archives.

The interesting third, the one to which the tendentious title of the book beckons us, had to be produced, as the authors confess, with "no access to any Reuters archives." The handicap might have been at least partly overcome had the traditional tools of interview, cuttings, other published work and occasional tithing of leaked or new information been more skilfully used.

Leaving aside the frequent solecisms, the absence of investigative persistence (surprising in such a colour-supp piece of work), and the spattering of sheer nonsense ("Competition from the French and the American agencies meant that wholesale buyers like the Japanese or the Indians were able to squeeze subscriptions to levels which bore no relation to the going rate in the private sector"), the fundaments of the Reuters story are not far from what the authors do not appear to know what they want to say.

Should Reuters have remained a simon-pure news agency, untainted by its commercial service? Was it right to develop the Monitor? What the managers did, and the consequent enrichment of some of them, should be a matter of steady analysis, not for half-remembered reportage. Nobody doubts the greed of newspaper proprietors: be it greed for power or sheer acquisitiveness, the greed is there. It is well covered in the book, but it is not the best service to

the benefit to employees, or shareholders, or the world business community?

Where the authors do seem to have asked themselves questions of this kind they appear to have come up with conflicting and disjointed answers. The trappings of the book—its sub-title, its chapter-headings, and the rest—suggest deep disapproval of the Reuters sale.

Joe Rogaly

Mayhewgrams arrive

ONE FAMILY'S WAR
edited by Patrick Mayhew.
Hutchinson. £10.95, 237 pages

DURING the second world war a Norfolk family, the Mayhews, together with their cousins, the Howards, devised a novel form of communication. In September 1939 they started what they called the Budget, by sending letters from all corners of Europe and the U.S. to Lady Mayhew at their family home in Felthorpe. She, in turn, copied them and distributed them among family members.

The main thing seems to be that we're all looking for personal news of each other more than almost anything else," Lady Mayhew wrote in her letter introducing the Budget.

Now these letters, or rather parts of them, are given under the title of *One Family's War* edited by Patrick Mayhew, former headmaster of the Thomas Delarue School, who is an introduction by his brother Christopher Mayhew, the Liberal peer and spokesman on Defence. They form an absorbing compilation.

We hear about the monotonous days of the Phoney War followed in stark contrast by Dunkirk and the Battle of Britain. The Mayhew family determined to keep in touch with each other while experiencing a mass of conflicting emotions in those dark days. We learn how the family house was turned into a hospital and the other changes the war brought about.

By 1942, the war seemed to have lost its early excitement and challenge and the tone of the correspondence changes as the family came to terms with rationing shortages and the mystery of blackouts.

Despite varying fortunes, the letters continued to reach Norfolk throughout the remaining three years of the struggle.

Somehow, like many other scattered families, the Mayhews succeeded in maintaining familiar links and values. Here is Uncle Bertie, at the end, reporting on local celebrations: "They burned Hitler, complete in coffin, on a bonfire... I preferred the BBC concert: it is a pleasure to hear Land of Hope and Glory done full blast and really well."

Andrea Fey

FICTION

Missing lawyer and a friend in need

BLOOD FOR BLOOD
by Julian Gloag. Hamish.
Hamilton. £9.95, 302 pages

STANDING INTO DANGER
by Desmond Briggs Secker and Warburg. £8.95, 218 pages

ELIZABETH AND ALEXANDER
by Anthony Lambton. Quartet.
£10.95, 415 pages

MODERN COMMON MIND
by Don Bloch Heinemann.
£9.95, 234 pages
CC M/C 28 CM25 W/END

BLOOD FOR BLOOD, besides being Julian Gloag's best novel yet, must be one of the most shrewd and intelligent books published in this decade.

Essentially, *Blood for Blood* is a story of self-discovery. The first-person narrator, a serious writer who has met with such defeat in his life that he has been forced into productions unworthy of his sensibility (and he feels this keenly: some of the best passages in the novel are given over to his evaluations of the dullness and banality of contemporary life), has to enquire into the circumstances of the murder of his friend, a successful barrister—a man he felt to be liberal, generous and humane. In the course of this he learns about himself. He also meets a number of interesting characters—one of them, the most memorable, being the sinister and snobbish mother of the victim.

But no summary can convey the extreme intelligence of this text. Gloag manages to ask as many pertinent questions about the authorial role as any more experimental novelist. It is just that we are not used to looking for profundity in novels that look "traditional." Indeed, there are many areas for which the traditional frameworks of fiction are no longer valid. But Gloag is fully (if unobtrusively) aware of this problem. *Blood for Blood* is full of subtleties, and many of them are in its superbly well judged dialogue. If this wise and moving novel does not gather up at least one of the prizes for fiction then there is something seriously wrong.

Standing Into Danger is popular fiction. But of its sort it is good; it does not pander to the corruptions it attacks. This is a tale of tycoons, ship insurance and treachery in the financial world. The "saved character" (as once Northrop Frye so well put it) ends as

a happy newswoman unable to give insurance advice to a customer. The writing is admirably clear, and everywhere (including at times the "saved character," who may not be spotted until the final pages) is uniformly disgusting.

There is a great deal of expertise in the portraits of the two magnates who dominate the book. It is so readable that one wishes that there were more depth. Doubtless, the worst of insurance is like this (or is it?), but surely, such people as Briggs describes must at least pretend to have decent feelings? And, pretending, find themselves at last in the position of "Beerbohm's Happy Hypocrite" that they are like the masks they wear. I hope so for my house's contents' sake.

After the admirable pastiche of Anthony Lambton's collection of short stories, *Snow*, this novel is a disappointment. *Elizabeth and Alexander* is yet another version of the story of the two sisters who married the Grand Duke Sergei and the Tsar Nicholas respectively. Lord Lambton has even made some conjectures, based on hitherto untranslated evidence, about the fate of the Tsar and his wife. That is competent stuff, but when one is dealing with a incarcerated subject of this kind one requires more, alas, than competence. Some of it is tedious, and some of it is clumsy. But I think that readers who enjoy long painstaking reconstructions will like it well enough.

Don Bloch, a New Yorker who has written three previous books, has tried to recapture the voice of the real African storytellers, called in Senegalese griots, of whom the most famous reproduction is in Senegalese, *Elie Diop*. This is a story, though, of East Africa, of the Wangas, and of leprosy and how its victims view it. The Wangas were great healers, but were themselves cursed with the disease too terrible to be spoken by name. It is a noble effort, and has resonances which reach far beyond its subject. It is successful in conveying to us the manner in which the Africans make a metaphor of their terror, which threatens them; less completely successful in its style, simply because the author is not African. But it was well worth a try. An unusual book, and recommended.

Martin Seymour-Smith

Burgess among the damned

THE KINGDOM OF THE WICKED
by Anthony Burgess.
Hutchinson. £9.95, 379 pages

"NEVER despise the casual," remarks the risen Christ. "No trumpets, except in that sunset over your shoulder. There is something Roman about a sunset." So, a moment later, breaking bread and pouring wine in the first communion at Emmaus: "It is all quite simple. Believe, when you take both, that I am in them."

A page or two later he saunters out towards his Assumption, and Anthony Burgess's long novel is only 20 pages old. The blur of slight surprise, amusement, and interest one may feel at this underplayed brush with divinity is an authentic Burgess effect. Whatever you think of the man's novels, he has provoked us, shifted a perspective or two, and written with repeated nerve and grace.

The Kingdom of the Wicked, Burgess's latest commercial title and flicking the laid-back Christ across our vision for a few first pages, seems to promise more such successful ring-mastery. With Peter, Paul, Tiberius, Caligula, and Nero still to come, expectations are awakened.

What follows is not exactly casual; but it is, in comparison with Burgess's earlier work, force, surprisingly one-paced. It is a historical novel alternating the travels and tribulations of some early Christians with case-studies of special nastiness in Imperial Rome. Written as part of the preparation for a television series, it seems abundantly researched and it presents efficiently a large cast and a variety of Mediterranean settings. It gets no further than other historical fiction in solving the problem of dialogue. Burgess opts for the modernistic: "Saul said: 'Excuse me, officer—be's a little overwrought.'" This will not really do; yet has anyone, come up with anything much better? If you are accustomed to historical novels you may find this a pretty well-written one. Enthusiasts of Anthony Burgess will tend to expect more.

There is no real illumination, either of wickedness or of the Christian zeal. Both Christ and God are hardly absent (the narrator is an ailing, grumpy Roman in the time of Domitian, not a Christian). Paul is, at times, dogmatically present, but as a hard case in chains rather than a radiant writer and teacher. The narrator does not, I guess, mean to be, like Christ,

casual. He does, however, believe his material to be so intrinsically interesting that his reader is bound to follow, provided he throws in an occasional ambiguous aside. ("This is all of it, quite disgusting.") But he has nothing truly to say about it. Towards the end, perhaps in an attempt to disarm, he admits it.

"What can one say of this Rome except that it was in great need of moral redemption and that it had missed its chance? And what can one say of the corruption of the present writer, who admits to a gross fascination in the recording of bloody misrule and a certain reluctance to return to the lives of small people who sweep, take bread, make decent marital love, perform their humble duties to the community but raise yawns when they become matter for a book?" As to that last: it depends, of course, what makes you yawn. As to Anthony Burgess's particular narrator, he knows best why he chose him.

Jim Hunter

CRIME

AN UNKINDNESS OF RAVENS
by Ruth Rendell.
Hutchinson. £8.95, 289 pages

AS a rule the Chief Inspector Wexford novels of Ruth Rendell are more normal than her other thrillers, where psychoses are very thick on the ground. True, some of the characters in this latest instalment in the Wexford ethos are badly in need of therapy, but for the most part, the plot unfolds among matches, trips to the National Theatre, bird-and-of-course—death. Wexford is at his most amiable, and his creator has surrounded him by a nicely varied cast. Ruth Rendell's latest novel, *The Tree of Hands* (also Hutchinson), is one of her best, a strangely quiet, domestic story in which various households, very different and separate, are imaginatively linked.

A DYING FALL
by June Thompson.
Constable. £7.95, 224 pages

In June Thompson's last-but-one her DCI Finch fell—or rather glided—into love and came perilously close to popping the question to a no-nonsense lady MD. His muted romance has mellowed him, and sharpened his already keen intuitions. He exploits this increased sensitivity in dealing with what seems an all-in-the-murder. The murder, and the story and, indeed, Finch himself—prove more complex than they first seemed.

William Weaver

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Tales told with passionate intensity



Audience participation at the Nativity scene in Bill Bryden's National Theater production of "The Mysteries"

NEXT WEEK, the National Theatre's three promenade Mystery Plays (*The Nativity*, *The Passion*, and *Doomsday*) transfer from the Cottesloe to the Lyceum Theatre in the Strand for a 12-week season, that might seem a long time, but if you are one of the many who stood for hours queuing for a ticket at the National (and didn't get one) you'll be down at the Lyceum box office in a flash. The question is why? such a popular success?

Watching the rising excitement of the audience night after night — the laughter, the singing, clapping and dancing, the wonderful childhood fun of it all — you have to ask what is happening. There is no doubt, a transformation takes place; not just within each per-

son, as we might expect from fine theatre, but also in relations between people, as in the ritual celebrations of long ago. Where else could you find a clergyman, kids, parents, teenage punk and normally disaffected intellectuals clapping as one to the beat of a brass band, following a hearse, and all singing lustily that "the soul of a man never dies"?

There is no audience in the old sense of the word: there is a crowd, jostling, bewildered, into realising that it is the crowd of the 15th or any century, both witnessing and taking part in the drama.

These are tales we all know as literal or symbolic truth, but they are told here as universal through the ever-present humanity of the 15th-century

craftsmen and labourers from York and Wakefield who wrote and acted these versions of their faith in the simple, direct language with which they lived and worked, each according to his craft. So the Shipwrights' Guild wrote the Building of Noah's Ark scene, the Fishers and Mariners the Flood, the Bakers the Last Supper, the Butchers the Death of Christ, the Nail-makers the Crucifixion. They were helped by local dramatic poets, among them the "Wakefield Master" of Mac the Sheepstealer fame, and the "York Realist" of the crucifixion scene; and the whole cycle of plays was performed on the day of Corpus Christi in a procession of carts around the town, beginning with The Nativity and ending

with Doomsday at night.

Consequently, we never lose the sense of one story acting upon another: "Bury me in Wakefield," cries Cain, branded suddenly outcast not of the world alone but of his own loved village; and this creates a drama not simply of two times or characters playing off each other, but of two distinct realities, made transparent to each other, becoming one.

The Theatre has become a cavernous, smoky gloom, lit with tiny red and orange lights flickering on and off like Christmas candles or Aladdin's cave, and you are caught in an atmosphere of enchantment where, as in fairyland, anything can happen. Here, Adam and Eve come literally crumbling out of the earth, and Satan

turns into a leaping snake in a trice with a hissing rattle for a tail. A slight flapping of an umbrella practically shows you a dove flying out of the hands of Noah's wife, and back again.

Much of the magic of these plays depends on your longing to be, as it were, inside them: after a while, to be part of the crowd is not enough. Like children told a favourite story for the first and 100th time, you want to rush forward and seize the butcher's knife from Abraham, or wake the Apostles in the garden before Judas comes, or touch the flesh of Jesus with Thomas. Everything in the production seems designed to keep you in this state of passionate intensity — the surprise, the startling moments of horror, the jokes, and especially the music and songs of John Tams and the Home Service Band.

And of course, there are the driving rhythms and rhythms of the poetry itself, so much a part of the characters who speak them that you forget you are listening to language in the making. Tony Harrison's brilliant adaptation has opened up to the contemporary imagination our own medieval heritage, formerly accessible only to specialists. By leaving untouched so many of the Middle English words unfamiliar to us, he makes us respond to the language instinctively at a pre-verbal level where we register frequently not the literal meaning of the words but their force, sound and primitive feeling. Again, we are back to the world of playful and total participation.

The GLC has offered a grant of £375,000 which will allow the Cottesloe to re-open from this autumn until next April; but after that something will have to be done to save the most exciting theatrical company in Britain.

Juliet Cashford

Golden glories deserve better performance in tercentenary year

HANDEL: TAMERLANO Mieke van der Sluis, Isabelle Poulenc, Henri Ledroit, René Jacobs, John Elwes, Gregory Reinhart/Lan Grande, Eurie and La Chambre du Roy/Jean Claude Malgouire, CBS 13m 57893 (three records), also on cassette **HANDEL—THE MAN AND HIS MUSIC** By Jonathan Keates, Gollancz, £12.95 **HANDEL** By Christopher Hogwood (with chronological table by Anthony Hicks), Thames and Hudson, £12.95

IN THE HANDEL tercentenary year, one wish that seems unlikely to be granted is for more really first-rate recordings of the Italian operas. The representation of these works on disc is no longer as scabby as it was even a decade ago (though important holes remain to be filled); but those issues that can be admired for quality of performance as well as of work performed continue to be sadly scarce.

The new *Tamerlano* is a case in point. The work itself, from the middle of that golden period in the 1720s that also brought forward *Rodolinda* and *Giulio Cesare*, is one of the greatest Handel operas—a work to thrust at those poor souls who continue to equate Italian opera seria (even at its best) with canary-fancying frivolity, a drama of characters memorably defined by their music and of sustained tragic power and passion in their interaction. It has been recorded once before (in 1970, in Copenhagen—issued here in 1976, out of the catalogue soon afterwards). That was a decent, far from fully worthy account of the opera; in most ways, the new CBS album is even less commendable.

For one thing, it is far less complete. As with most Handel operas—most 18th century operas, indeed—given more than a single season of performances, *Tamerlano* has a complicated textual history; and in later revivals Handel himself was prepared to cut some of its glories ruthlessly. But in squeezing the work into six sides (tride the eight of the 1970 set), CBS sacrifices an unforgivable amount of wonder-

ful music — towards the end, with recitative ever more copiously exercised, simple narrative clarity tends to disappear as well.

More important, the singing is just not good enough. Virtuoso singers are the most significant feature of any Handel recording, as they were in any of Handel's theatrical enterprises. For the King's Theatre first showing of 1724, he gathered for himself a stellar collection.

Their 1985 counterparts come, in the main, from the cloistered, untheatrical world of continental Early Music: of the "authentic" persuasion. John Elwes, as Bajazet, is the best of them: small of stature but true in style and sound, with at least some inkling of the tragic grandeur of the role as manifested in, for instance, its awesome, vocally jagged suicide scene. The *seconda donna*, Irene, and bass confidant, Leo, also receive fairly competent treatment from Isabelle Poulenc and Gregory Reinhart. But from this level to the small, tight flutings, not always in tune, of Mieke van der Sluis/Asteria is a drop; and hence to the diverse vocal discomforts (which have at least poor intonation also in common) of the two leading counter-tenors is a further drop. René Jacobs, the Andronicus, probably divides taste more sharply than any other similar singer before the public; I must own to finding his curdled tone and hollow-in-the-middle phrasing a kind of aural torture.

By such pallid, variously unpleasant avatars of Handelian vocal delight the cause of "authenticity" is not convincingly promoted. Nor is it by the conductor: though Malgouire has managed to purge his notions of Handel's executive style of some of their wider eccentricities (as demonstrated on his CBS *Rinaldo* and *Serse* recordings), orchestral articulation tends to the weedy and colourless, and rhythms and tempos are not always well judged to situation, character, and vocal truth. Is this, in sum, a *Tamerlano* to be avoided, worse than none at all? I would not assert as much; for, despite all hazards, something of the work's "flavour" almost of

Shakespearean tragedy" (Winton Dean's phrase) contrives to come through. But it's a big disappointment.

Tamerlano itself can be used to provide an acid test. Jonathan Keates' book devotes three lively, fully engaged pages to the work, showing himself aware of its special features, its remarkable *coups de théâtre*, its "spare, bare, dark, indoor world"; and, in addition, placing it with precise magnificence within his larger Handelian tale. There are two tiny mentions of the opera in Hogwood (on pages 88 and 101), both confined to fact: what sort of Handelian creativity was involved in its production, and how it stands in the theatrical canon, are matters entirely avoided.

This example can easily be repeated. Go to Keates with a particular work in mind, and invariably you find a real response; go to Hogwood and you get the facts, all the facts and (for the most part) little other than the facts. The latter is, therefore, not a useless addition to the student's library shelf; its layout is elegant, pictorially generous, and the interlarding of the text with relevant quotations is neatly done. The admirable concluding chronological table by Anthony Hicks might well come to be proved the part of the book most regularly referred to.

But it's Keates who stirs the reader's senses; I would particularly recommend him to the music-lover, new to Handelian enthusiasm, who wants to know what it is in the music that inspires such extravagant devotion in its admirers. This is a self-admitted "compilation" rather than an original contribution, by a self-confessed non-musicologist. It is not like Julian Budden's massive examination of Verdi, a study which opens whole new avenues of thought and approach (as Winton Dean's famous investigation of the Handel oratorios has done, and as his long-awaited coming examination of the Operas is likely to do again). But Keates' enthusiasm for his subject is detailed, broad-based, and infectious, and the book as a whole is a pleasure to read.

Max Loppert

Ballet

Style elegant, power buoyant

THE BRIEF Covent Garden season by the Sadler's Wells Royal Ballet is providing a portrait of the company both illuminating and truthful. The two elegant and visually stunning stagings of the traditional classics were joined on Thursday night by a triple bill which told of the troupe's fine qualities as an ensemble in *Les Sylphides* and *Petrushka*, and of its creative alertness in producing *Chorus* by its resident choreographer, David Bintley.

The programme was also excellently judged in its balance of elements. *Les Sylphides*, unharmed in tempi by Bramwell Tovey, blossomed in nocturnal serenity, with Margaret Barbieri, Susan Crow and Sandra Madgwick gently pure in

style, and Miss Madgwick's liveliness in the little waltz bringing something joyously impetuous to the dance.

John Auld's admirable remounting of *Petrushka* took this stage for the first time and asserted the essential Fokine elements of bold characterisation from the crowd as a frame for the puppets drama. At the work's heart David Bintley repeated his utterly convincing portrayal of *Petrushka* as a victim of forces which both crush him and force from him those cries of pain which are his most human attribute. It is a magisterial reading, matched by Nicola Katrak's vivid Doll and Carl Myers' brutish Blackamoor.

An to close, *Chorus* as an

exercise in pure dance, coloured by the physical rivalries and strands of emotion which add fascinating nuances of feeling to the text. In Terry Bartlett's white, light-responsive and brilliant setting of a gymnasium, the east-led by Marjorie Tait, Nicholas Millington, Sandra Madgwick, Iain Webb, Roland Price and Michael O'Hare—sport and play, and Mr Bintley explores their gifts, and their relationships, without stressing anything save the elegance of their style and the buoyant power of their movement. The ballet opens out splendidly to the Opera House stage; so, throughout the evening, do the SWRB dancers.

Clement Crisp

Saleroom

Not so poor man's porcelain

A RATHER gruesome pair of Staffordshire pottery figures depicting a European woman being devoured by a lion while her black servant is eaten by a tiger sold for £12,100 at Bonhams yesterday to the dealer David Newson.

It is quite an extraordinary price for Staffordshire figures, though the Staffordshire figures, by the many million in the potteries of Staffordshire, and elsewhere, from the mid-18th century and for the next two hundred years, mainly to brighten up the humble homes of the poor. They were known as "image toys" to Josiah Wedgwood, were regarded as chimney ornaments in the early 19th century, and dismissively described as "poor man's porcelain."

They have been collected for years, but suddenly prices, especially for the earlier figures of naivety and charm, have moved rapidly upwards. This is mainly because of American buying in the past two years, and the scarcity of certain models.

Bonhams expected a good price for the pair sold yesterday. They are extremely rare; undoubtedly made around 1830 by the Burston potter, Osadiah Sherratt. Sherratt is currently the most desirable name among Staffordshire figure makers: Bonhams recently sold his model of Wombwell's menagerie for £23,200, a world record price.

Not surprisingly, it attracted onto the market other Sherratt

figures, a slightly smaller version of the menagerie made £13,200; a third, in a poor state, acquired only five years ago for £6, went for £6,600.

Another Sherratt figure, known as "Grecian and daughter," showing a chained and manacled Cimon being aided by his daughter, was bought for £2,310 yesterday. A few years ago this particular model was regarded as an unpopular subject; pieces sold at auction for less than £500. Suddenly the maker's name is all. Yet no buyer was found for a mantel ornament in the shape of a clockface with the awesome message, "Prepare to meet Thy God." Collectors are still seeking charm rather than instruction.

But while certain makers have caught the imagination of the great mass of Staffordshire figures still sell for £30 and upwards. Discernment and advice are essential. Fakes abound; a model first produced in 1850 could still be appearing a century later. Only an expert will be immediately aware of the date of manufacture.

In practice the market divides into many, specialist areas. Some people collect Victorian figures of personalities of the age—on May 21, for example, Sotheby's is selling a model of General Booth which might make £400 (double the price of five years ago). Others concentrate on the earlier boogie scenes of lambs and shepherdesses, deer and gardeners, which ape the contemporary porcelain creations of Chelsea and Derby—three such groups in the manner of Ralph Wood, the younger, (another sought-after maker) sold for £1,450 at Bonhams yesterday, at the lower end of their estimate.

Then there are Toby Jugs and religious scenes, like Abraham preparing to sacrifice Isaac; pieces making political points, such as dozing persons and Napoleon caught in the grasp of

the Russian bear. In fact, all the burning issues of the time were expressed in Staffordshire figures.

Staffordshire figures will never meet the black-tie evening auction in the glare of television cameras, but they remain one of the few sectors of the auction market in which the average reader could build up a decent collection for £1,000. The post 1850 flat-back waves are unlikely to appreciate rapidly, but as figures get steadily rarer—disappearing into collections—so prices are likely to maintain their overall slow but steady rise. With the rare models, and figures of the 18th century, enjoying a more spectacular appreciation, Tittensor, Walton and Salt are names to look out for, but quality and rarity and provenance are all important.

Disaster in NYC

The danger of offering works of art to the market within a few years of acquiring them was demonstrated at Christie's in New York on Thursday night. What was billed as the most important auction of Old Master paintings in the U.S. for many years proved a disaster.

Oklahoma oil man S. T. Fee had bought some fine Old Masters in the last decade. Only seven of the twenty he offered at auction found buyers: the three most important paintings—by Canaletto (of Warwick Castle), Tiepolo and Coya—were all unsold. The fact that they carried high reserves—the Canaletto estimate was \$3m—did not help.

Antony Thorncroft

Radio

We'll meet again...

THE 40th anniversary of VE Day was ceremoniously observed by Radio 4 with the Abbey service where all available branches of the Christian Church collaborated, the Duke of Edinburgh read the lesson, but the Master of the Queen's Music was uninvited. Perhaps, like me, he sees this as a political rather than an evocative occasion. We had no telling like it for the 30th anniversary, or the 20th. Indeed, as Roderick Kedward reminded us in Monday's Radio 3 talk, *Should the French celebrate twice?* Giscard d'Estaing laid down that the 1975 commemoration should be France's last. They celebrate their liberation in the autumn.

Less ceremoniously, Radio 2 dropped reminiscent items into its programmes, and the local radio stations sent out chaps with microphones to collect jolly stories from ageing veterans. The most nostalgic programme for me was LBC's wartime panorama, full of familiar voices.

The Thatcher Phenomenon began its first instalment on Radio 4 on Sunday (repeated on Monday), with reflections by eminent and/or friendly contemporaries that traced the early formation of the Prime Minister's political convictions and the way in which she deploys them.

As Hugo Young pointed out in his widely-researched programme, "Thatcherism" is the only "ism" we have in British politics, though we have known plenty of "ites." From various sources, we learnt that Mrs Thatcher's childhood home was serious, male-dominated, politics-beset. At Oxford, "a perfectly good second-class chemist, not an interesting person." She will use

femininity to get her way, said Lord Whitelaw, "she will use anything." "Invisible complacency, will not listen," Denis Healey offered. "She hasn't got the breadth of outlook," said Francis Pym. "In love with power, with herself," wrote Barbara Castle in her diary. But even her detractors admire her good brain, her endless capacity for work; and Mrs Sally Oppenheimer added that "She has a wonderful husband, immensely kind and thoughtful," and able to give financial advice. Five more instalments to come.

Radio 4's new Sunday classic serial is Ivy Compton-Burnett's *Daughters and Sons*, wonderful radio material with its prickly conversation. The five children haven't fully emerged yet, except for Muriel (Pamela Moiseiwitsch), who only giggles and yawns.

B. A. Young

CHESS

FLORENCIO CAMPOMANES, charismatic president of FIDE, the International Chess Federation, faces another tricky, politically charged decision this month following his controversial halt to the Karpov-Kasparov world title contest in Moscow. The return K v K series is scheduled to start on September 1. FIDE invited both to host the match, which is likely to be limited to 24 or 30 games.

By the closing date of May 1, FIDE's secretariat in Lucerne had received offers from Marzelles with a £500,000 prize fund, from London with £300,000, and from the Soviet Union with a prize fund effectively in roubles. Announced or rumoured bids from Barcelona and Belgrade failed to materialise. Under revised match rules promulgated in 1983, Campomanes has the right, in effect, to decide the venue; under previous regulations preference had to be given to the stated wishes of the contenders.

Campomanes has just returned from a world tour designed to justify and explain

his February abort decision to key officials and journalists from FIDE's 120-nation affiliates. Now, whichever way he decides, he may provoke new argument. Normani practice is to go for the biggest offer; here Marzelles is well ahead of its rivals.

London's bid is backed by the Greater London Council, whose offer takes hotel, venue and administrative costs into consideration for an event likely to last two or three months. If successful, the GLC plans to present the match at the Royal Festival Hall complex on the South Bank.

In recent years London has become a major centre for international chess in Western Europe, following the success of the world title semi-finals, the USSR v World match, the GLC/Phillips & Drew Kings, and the annual Lloyds Bank open. The GLC has hosted the three Kings tournaments at County Hall, two of them with Karpov's participation. It has also made its headquarters available for major weekend tournaments; on September 1 the Chequers Open, with a £1,000 first prize, will be finishing at County Hall just as the title contest starts.

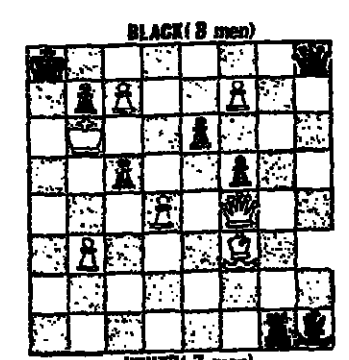
Soviet chess organisers suffered heavy financial blows in 1983: they made compensation payments to FIDE and the Americans over their default at the Pasadena semi-finals; while choice of the Hall of Columns for the 1984-85 match proved costly — a marathon length coupled with poor ticket sales.

Thus, if monetary constraints were decisive, Moscow might well be secretly pleased if Campomanes opted for Marzelles or London. Their fear is that a

match at a Western venue could produce heavy criticism from Russian sports fans or the ultimate disaster: a high-profile Kasparov defection.

PROBLEM No. 567

Last week solvers had to contend with two capricious dia-



grams. You may have deduced from the solution that the game position was "Can White win?" and here is the problem diagram repeated.

White mates in two moves, against any defence. This is the opening round of the Lloyds Bank British Problem Championship; a correct answer qualifies you for a harder postal stage leading to a final in London in January 1986. The eventual champion wins £100 and represents Britain in the 1986 world title contest.

To compete, solve the problem and send White's first move to Lloyds Bank Public Relations, 71 Lombard Street, London EC3. Mark the envelope "Chess Contest" and your solution "Financial Times." Closing date is July 1.

Leonard Barden

BRIDGE

This hand turned up when I was playing *partie libre* a few days ago:

N		E	
♠ Q 10 4		♠ K 7	
♥ K Q 8 6 3		♥ A 10 9 7 4	
♦ K Q 7		♦ K 9 3	
		♣ J 10 2	
W		S	
♠ 9 5 2		♠ A 8 6 3	
♥ 2		♥ J 5	
♦ A 10 7 5		♦ J 8 6 4	
♣ 8 5 4 3		♣ A 6	

With East-West vulnerable, my partner in the North seat dealt and bid one heart, to which I replied with two diamonds. North could do nothing but rebid two hearts, and I now said two spades, a responder's reverse, which is unconditionally forcing. North's raise to four spades concluded the auction, and West led the two of hearts, an obvious singleton. East won with the Ace, and returned the four for her partner to ruff. West cashed her Ace of diamonds, and—that was the end of the defence.

As I was playing against really nice opponents, who were anxious to learn, and willing to listen to me, I said: "That was a very interesting hand, and you could have defeated the contract. Would you like me to show you the winning defence?"

At trick two, if East does her homework, she should see that unless she can get in again to

give her partner another ruff, the contract is unbeatable. She must assume that West holds the diamond Ace, and return the ten of hearts, a suit preference signal, suggesting a diamond return, not a club. This would give West the courage to underlead her diamond Ace, after ruffing the heart ten with the five of spades. East wins with the diamond King, and leads back another heart. I would have to try the eight of trumps, but I could not prevent West's nine from scoring. After listening to my explanation, both opponents expressed gratitude.

A friendly post-mortem, not carping criticism, is instructive. We turn now to a pairs event:

N		E	
♠ 10 8 7 2		♠ A 4 3	
♥ 8 7 3		♥ A Q J 10	
♦ 8 5 2		♦ Q 9 3	
♣ 10 8 6		♣ J 4	
W		S	
♠ Q 9 8		♠ K 5 2	
♥ 9 4		♥ A J 4	
♦ K 10 7 6		♦ A K 9 7	
♣ Q 5 3 2			

With North-South vulnerable, South deals and opens with one heart, your partner passes, and so does North. You pass, and West leads the spade Queen. Declarer wins with the King, and manages to collect six tricks—100 points to you. This, as you find out later, gets fewer match points than the East-West pairs who played in one no trump.

E. P. C. Cotter

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